

Steele Capital Management, Inc.
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This Brochure provides information about the qualifications and business practices of Steele Capital Management, Inc. ["SCM"]. If you have any questions about the contents of this Brochure, please contact SCM at (563) 588-2097 or info@steelecapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Steele Capital Management, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about Steele Capital Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

SCM has had no material changes that have occurred since SCM's last annual update dated March 14, 2013.

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Item 4 – Advisory Business

A) Steele Capital Management, Inc. is a SEC registered investment adviser that has been in business since 1996. SCM is owned by Kevin Timmerman (50%) and Michael Steele (50%).

B) **Services to Individuals:** Steele Capital Management, Inc. provides specialized investment management services, pursuant to which it will invest the assets of each client's investment portfolio, by selecting mutual funds, exchange traded funds and individual securities. Such selections are based on the client's goals, objectives and risk tolerance. SCM monitors the performance of each client's investment portfolio, as well as the market conditions for investment securities. SCM may make changes in the selection or allocation of investment alternatives on a discretionary or non-discretionary basis, depending on the agreement with the client. The fund selection process for SCM includes consideration of a fund's historical performance, taking into account risk, fund objectives, and market conditions. In providing investment consultation services, SCM attempts to construct each client's portfolio in a way that both enhances returns and controls risk.

Services to Retirement Plans: Steele Capital Management, Inc. also specializes in providing advisory services to company sponsored retirement plans. Advisory services provided are in the nature of research, analysis, and recommendation of investment alternatives. SCM's services also include participant education and enrollment. SCM may have discretionary or nondiscretionary control over the investments of a company sponsored retirement plan, depending on the type of contract with the client. SCM does not advise participants as to specific investment selections. Participants may, however, contract directly with SCM if they desire advice regarding specific investment choices, and/or ongoing asset management.

Services to Retirement Plan Participants: As a service to participants in company sponsored retirement plans, plan fiduciaries may appoint Steele Capital Management, Inc. as the plan's ERISA section 3(38) Designated Investment Manager. As such, SCM will make itself available to all participants and beneficiaries to manage all or a portion of the assets held in, or contributed to, their individual accounts. If a participant selects SCM to manage all or a portion of the participant's individual account, Steele becomes responsible for investing the account and will manage the participant's portfolio according to one of five selected strategies. These strategies range from conservative to aggressive in nature. The portfolios are constructed and managed based on asset allocation and diversification principles. The portfolios are rebalanced and adjusted at the discretion of SCM. The portfolios are constructed with mutual funds and may contain mutual funds that are not offered in the plan's standard fund offering. Once participants select their appropriate strategy they need only monitor changes in their risk tolerance and adjust their strategy selection as necessary. This is not a service paid for by retirement plan sponsors (employers). The agreement is directly between Steele Capital Management and each retirement plan participant that elects to utilize this service. The fee paid by participants is typically 0.125% of account assets per quarter.

C) Although SCM does have certain investment strategies that it seeks to execute for all of its clients, SCM will tailor its advisory services to the individual needs and preferences of each client. SCM's investment advisory services have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is specifically applicable to SCM's management of client assets:

1. Initial Interview – at the opening of the account, SCM, through its designated representatives, shall obtain from the client information sufficient to determine the client’s financial situation and investment objectives;
2. Individual Treatment – the client’s account is managed on the basis of the client’s financial situation and investment objectives;
3. Quarterly Notice – at least quarterly SCM shall notify the client to advise SCM whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account;
4. Annual Contact – at least annually, SCM shall contact the client to determine whether the client’s financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of his/her/its account.
5. Consultation Available – SCM shall be reasonably available to consult with the client relative to the status of the client’s account;
6. Quarterly Statement – client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct SCM not to purchase certain mutual funds; and,
8. Ownership – each client retains indicia of ownership of the account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

D) SCM does not participate in wrap fee programs.

E) SCM’s assets under management as of December 31, 2013 are \$1,420,899,000. Discretionary \$1,312,432,000 Non-Discretionary \$108,467,000

Item 5 – Fees and Compensation

- A) Fees are payable quarterly in advance upon debit instructions delivered to the custodian of each client account. Fees are calculated on the market value of the managed assets on the first day of each calendar quarter. Fees on assets deposited or withdrawn during the quarter shall be prorated based on the number of days remaining in the quarter. Advisory fees are not based on capital gains or capital appreciation of the client’s managed account (SEC Rule 205(a)(1)).
For discretionary and non-discretionary investment management services, unless agreed otherwise, fees are negotiated as a percentage of assets under management not to exceed an annualized fee of 1.5%. SCM, in its sole discretion, may decrease its annual minimum fee and/or charge a lesser management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, historical relationship, related accounts, account composition, negotiations with client, accounts referred to adviser by another professional, etc.)
- B) SCM deducts fees from clients’ assets unless a client specifically requests the fees to be direct billed. Fees are billed on a quarterly basis.
- C) Brokerage commissions (trading costs) and custodial fees of the broker/dealer (custodian of client assets) are in addition to SCM’s management fees (See Item 12 – Brokerage Practices, below).
The majority of the mutual funds utilized by SCM are purchased on a “no-transaction-fee” basis through Schwab. A complete explanation of the expenses charged by a mutual fund is contained in the fund’s prospectus.

- D) Fees are required to be paid quarterly in advance. If investment management services are terminated, unearned fees paid in advance will be ratably refunded upon request of the client. The refund is calculated based on the number of days remaining in the quarter as a percentage of the number of total days in the quarter times the fee charged. Clients may terminate the Advisory relationship during the first 5 days at no cost.
- E) SCM and supervised persons do not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Item 12 further describes the factors that SCM considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Item 6 – Performance-Based Fees and Side-By-Side Management

SCM does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

SCM provides portfolio management services to individuals, high net worth individuals, corporations/businesses, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, and endowments. SCM's minimum for corporate pension and profit-sharing plans is \$1 million and for all other types of clients it is \$250,000. SCM will make exceptions to its minimums in certain situations.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

SCM typically manages each client's portfolio with one of five investment strategies; Conservative, Moderate, Balanced, Growth, or Aggressive, depending on the client's objectives and tolerance for risk. The Aggressive strategy will typically have the most stock market exposure, while the Conservative strategy will have the least. Overall SCM's investment strategy is based on a strategic asset allocation discipline; however, it will make tactical adjustments as market conditions dictate. SCM's strategy also includes diversifying portfolios across several investment styles and industry sectors utilizing primarily no-load mutual funds, however, portfolios may also include individual securities and exchange traded funds.

Portfolios are built with the intent of utilizing multiple fund managers, each having a distinct and unique process. SCM conducts an extensive quantitative and qualitative analysis of potential fund managers, including a statistical analysis of historical risk/return data, style analysis data, stock selection philosophies, buy and sell disciplines, and manager longevity.

It should be noted that all investments are subject to inherent risks, and investments in the portfolios managed by SCM are no exception. Accordingly, you may lose money when investing with SCM. Portfolios utilizing each of SCM's strategies will fluctuate, reflecting day-to-day changes in market conditions, interest rates and numerous other factors. It is possible, even in SCM's Conservative strategy, that a client will lose money. Investing in securities involves risk of loss that clients should be prepared to bear.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of **SCM** or the integrity of SCM's management. SCM has no information applicable to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

The principals of SCM together own 15% of Retirement Plan Services, LLC (RPS), a third party administrator (TPA) of company sponsored retirement plans. Retirement plan clients of SCM may engage RPS as their TPA or they may choose to engage the services of another TPA. If RPS is retained by a SCM client, the principals of SCM will benefit due to their ownership in RPS.

Michael Steele does maintain a life insurance license. Clients and prospective clients may purchase life insurance policies from Mr. Steele. SCM does not view this as a conflict of interest as Mr. Steele merely assists SCM clients that request life insurance.

Item 11 – Code of Ethics

SCM has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SCM must acknowledge the terms of the Code of Ethics annually, or as amended.

SCM anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which SCM has management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which SCM, its affiliates and/or clients, directly or indirectly, have a position of interest. SCM's employees and persons associated with SCM are required to follow SCM's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of SCM and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for SCM's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of SCM will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

SCM's recommendations do not generally have the potential for a conflict of interest arising from recommendation of securities traded in an active market. Any purchase or sale of such securities by SCM consultants should not alter the price of the investment as sold by the issuer. Such securities or investment products may be publicly traded, not publicly traded, or insurance.

SCM has implemented an investment policy relative to personal securities transactions. This investment policy is part of SCM's overall Code of Ethics which serves to establish a standard of business conduct for all of SCM's Access Persons that is based upon fundamental principles of openness, integrity, honesty and trust. All Access Persons are required to report personal securities transactions as these are monitored by the Chief Compliance Officer to ensure compliance with SCM's Code of Ethics.

SCM's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting Kathryn Moran, Chief Compliance Officer.

Item 12 – Brokerage Practices

The Custodian and Brokers SCM Uses

SCM does not maintain custody of the client assets being managed; although SCM may be deemed to have custody of client assets if the client gives SCM authority to withdraw assets from the client's account (see Item 15 – Custody, below). Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Each SCM client reserves the right to direct brokerage/custodian business to any financial institution of choice (subject to SCM's right to decline or terminate the engagement). SCM recommends that its clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. SCM is independently owned and operated and is not affiliated with Schwab. Schwab holds client assets in brokerage accounts and buys and sells securities when SCM/client instructs them to do so. While SCM recommends that clients use Schwab as custodian/broker, each client decides whether or not to do so and will open an account with Schwab by entering into an account agreement directly with Schwab. SCM does not open accounts for clients, although SCM may assist clients in doing so. Not all advisors require their clients to use a particular broker-dealer or other custodian selected by the advisor. Even though client accounts are maintained at Schwab, SCM is able to use other brokers to execute trades for client accounts as described below (see "Client Brokerage and Custody Costs").

How SCM Selects Brokers/Custodians

SCM seeks to use a custodians/brokers that hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. SCM considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior services to SCM and SCM's other clients
- Availability of other products and services that benefit SCM, as discussed below (see "Products and Services Available to SCM From Schwab")

Client Brokerage and Custody Costs

For SCM clients accounts that Schwab maintains, Schwab generally does not charge clients separately for custody services but is compensated by charging clients commissions or other fees on trades that it executes or that settle into clients Schwab accounts. Schwab's commission rates applicable to SCM client accounts are negotiated based on the total assets that SCM clients collectively maintain in accounts at Schwab.

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like SCM. They provide SCM and its clients with access to its institutional brokerage – trading, custody, reporting, and related services – many of which are

not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help SCM manage or administer client accounts, while others help SCM manage and grow its business. Schwab's support services generally are available on an unsolicited basis (SCM doesn't have to request them) and at no charge to SCM as long as SCM clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If SCM clients collectively have less than \$10 million in assets at Schwab, Schwab may charge SCM quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

Services That Benefit Clients. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which SCM might not otherwise have access or would require a significantly higher minimum initial investment by SCM clients. Schwab's services described in this paragraph generally benefit SCM clients.

Services That May Not Directly Benefit Clients. Schwab also makes available to SCM other products and services that benefit SCM but may not directly benefit clients or their accounts. These products and services assist SCM in managing and administering SCM client accounts. They include investment research, both Schwab's own and that of third parties. SCM may use this research to service all or a substantial number of SCM clients' accounts including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution
- Provide pricing and other market data
- Facilitate payment of SCM fees from clients accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only SCM. Schwab also offers other services intended to help SCM manage and further develop the SCM business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefit providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide these services to SCM. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide SCM with other benefits, such as occasional business entertainment of SCM personnel.

SCM Interest in Schwab's Services

The availability of these services from Schwab benefits SCM because SCM do not have to produce or purchase them. SCM doesn't have to pay for Schwab's services so long as SCM clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond this, these services are not contingent upon SCM committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give SCM an incentive to recommend that you maintain your account with Schwab, based on SCM's interest in receiving

Schwab's services that benefit SCM business rather than based on your interest in receiving best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. SCM believes, however, that the selection of Schwab as custodian and broker is in the best interest of SCM clients. SCM's selection is primarily supported by the scope, quality, and price Schwab's services (see "How SCM Select Brokers/Custodians") and not Schwab's services that benefit only SCM. SCM has over \$1 billion in client assets under management, and SCM does not believe recommending SCM clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

SCM does not aggregate the purchase or sale of securities. Typically, SCM is purchasing mutual funds inside client accounts so there is not a cost benefit to aggregating.

SCM does not have any formal arrangements to utilize research, research-related products or other services from broker-dealers, or other third parties.

Item 13 – Review of Accounts

For those clients to whom SCM provides investment supervisory services, account reviews are conducted on an ongoing basis by SCM's Principals and/or Associated Persons. All clients are advised that it remains their responsibility to advise SCM of any changes in their investment objectives and/or financial situation, or if they want to impose, modify or add any reasonable restrictions to SCM's management of their accounts. All clients (in person or telephonically) are encouraged to review their financial planning issues (to the extent that SCM has been engaged to provide financial planning services), investment objectives and account performance with SCM on an annual basis.

Statements of each account are mailed at least quarterly to clients directly by the applicable brokerage firms, mutual funds, trust departments and/or financial institutions. SCM does not take possession of any assets of its clients and therefore does not issue its own statements of accounts to clients. However, as part of its quarterly investment management/advisory billing process, SCM does send to its clients (either directly itself, or through an authorized agent), quarterly performance reports. These reports are either mailed or e-mailed depending on the preference of each client. Reports are sent for informational purposes only, and do not, and should not be relied upon to, serve as a substitute for any reports distributed by either the client's mutual fund company or any monthly or annual statements sent by the broker/dealer that maintains custody of the client's account.

Item 14 – Client Referrals and Other Compensation

SCM receives an economic benefit from Schwab in the form of the support products and services it makes available to SCM and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit SCM, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to SCM of Schwab's products and services is not based on SCM giving particular investment advice, such as buying particular securities for SCM clients.

SCM does receive client referrals from unaffiliated and affiliated solicitors. SCM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from SCM's investment management fee, and may or may not result in an

additional cost to the client. If the client is introduced to SCM by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of SCM's written disclosure statement as same is set forth on Part II of Form ADV, together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between SCM and the solicitor, including the compensation to be received by the solicitor from SCM. Any affiliated solicitor of SCM shall disclose the nature of his/her relationship to prospective clients at the time of the solicitation.

Schwab Advisor Network

SCM receives client referrals from Schwab through SCM's participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent advisor. Schwab is a broker-dealer independent of and unaffiliated with SCM. Schwab does not supervise SCM and has no responsibility for SCM's management of clients' portfolios or Advisor's other advice or services. SCM pays Schwab fees to receive client referrals through the Service. SCM's participation in the Service may raise potential conflicts of interest described below.

SCM pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by SCM is a percentage of the fees the client owes to SCM or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. SCM pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to SCM quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by SCM and not by the client. SCM has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs SCM charges clients with similar portfolios who were not referred through the service.

SCM generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, SCM will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of SCM clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, SCM will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit SCM's fees directly from the accounts.

Item 15 – Custody

Under government regulations, SCM is deemed to have custody of your assets if, for example, you authorize SCM to instruct Schwab to deduct SCM advisory fees directly from your account or if you grant SCM authority to move your money to another person's account. Schwab maintains actual custody of your assets. You will receive account statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. SCM also urges you to

compare Schwab's account statements to the quarterly performance reports you will receive from SCM.

Item 16 – Investment Discretion

SCM recommends equity, fixed income, exchange traded funds and mutual fund investments under written investment management agreements, which includes discretionary authority. Such discretionary authority, together with limited powers of attorney executed by SCM's clients, allows SCM consultants to determine, without specific client consent, (1) the securities to be purchased or sold, (2) the amount of securities to be bought or sold, (3) the commissions to be paid for each transaction processed. Clients may limit or amend SCM's discretionary authority by making a written request. While there are no other express limitations on the authority described, SCM requires prior written discretionary authority from its clients in the form of a contract.

SCM has clients where it does not have discretionary authority, typically these clients are corporate pension and profit sharing plans. The individuals participating in these plans can give SCM discretionary authority over their assets inside the plan by signing a contract.

Item 17 – Voting Client Securities

SCM exercises proxy voting authority over clients' securities, unless a client specifically requests differently. Katie Moran is responsible for voting proxies in the best interest of SCM clients and will consult the proxy committee if necessary. SCM maintains records of all proxy voting and a client may contact SCM at any time to obtain their proxy voting record. A complete copy of SCM's Proxy Voting Policies and Procedures is available upon request at no charge.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about SCM's financial condition. SCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.