

## Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

### ***Item 1.A.***

Pinnacle Investments, LLC.  
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[www.pinnacleinvestments.com](http://www.pinnacleinvestments.com)  
SEC File Number: 801-67860  
CRD Number: 142910

June 27, 2014

### ***Item 1.B.***

This brochure provides information about the qualifications and business practices of Pinnacle Investments, LLC. If you have any questions about the contents of this brochure, please contact us at (315) 251-1101 and/or [compliance@pinnacleinvestments.com](mailto:compliance@pinnacleinvestments.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.

Additional information about Pinnacle Investments, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### ***Item 1.C.***

We are dually registered with FINRA & SEC, although registration does not imply a certain level of skill or training.

***Item 2.***

There has been some material changes since the last annual amendment brochure submitted 03/31/14.

1. Susan Griffith is Chief Compliance Officer effective June 27, 2014.

***Item 3. Table of Contents***

Item 1: Cover Page

Item 2: Material Changes

Item 3: Table of Contents

Item 4: Advisory Business

Item 5: Fees and Compensation

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

Item 7: Types of Clients

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

Item 9: Disciplinary Information

Item 10: Other Financial Industry Activities and Affiliations

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Item 12: Brokerage Practices

Item 13: Review of Accounts

Item 14: Client Referrals and Other Compensation

Item 15: Custody

Item 16: Investment Discretion

Item 17: Voting Client Securities

Item 18: Financial Information

And if registering with one or more state securities authorities then

Item 19: Requirements for State-Registered Advisers

### Item 4.A.

Pinnacle Investments, LLC is a member firm of FINRA and SIPC. We were founded in the year 1995 and organized as a limited liability company under the laws of New York State. Our fiscal year ends in the month of December each year.

Pinnacle Investments, LLC is 100% owned by Pinnacle Holding Company, LLC which is organized as a limited liability company. There are no individual owners of 25% or more of Pinnacle Holding Company, LLC. FKAPI, Inc., a domestic entity, owns 25% or more of Pinnacle Holding Company, LLC.

### Items 4.B.C.D.

Pinnacle Investments, LLC offers the following advisory services: financial planning, portfolio management for individuals and/or small businesses, selection of other advisers, investment advisory service, and investment advice through consultation not included in aforementioned services. A greater detailed explanation of the nature of these services is provided next.

#### **Managed Account Program:** (A Discretionary Investment Advisory Agreement)

**Pinnacle Investments, LLC** (Pinnacle) and \_\_\_\_\_ (Client) are entering into this agreement ("Agreement") to set forth the terms on which Client will participate in Pinnacle's **Managed Account Program ("Program")**.

Under the Program, Pinnacle will serve as Client's **Portfolio Manager** and **Advisor**.

Pinnacle's responsibilities as Portfolio Manager and Advisor under the Program, and Client's responsibilities under the Program, are explained below.

Securities accounts subject to this Agreement are listed below and are referred to collectively as the "Account Group."

Account Number \_\_\_\_\_

Account Number \_\_\_\_\_

Account Number \_\_\_\_\_

**Responsibilities as Portfolio Manager.** As Portfolio Manager, Pinnacle will:

1. assist Client in understanding the Program in light of Client's investment objectives and financial situation

2. be available to discuss the Account Group during normal business hours and to answer questions about the Program
3. manage the assets in the Account Group in accordance with Client's investment objectives
4. have full trading discretion and final approval of all securities bought, sold, and held in the Account Group
5. have the authority, in its sole discretion, to appoint a sub-manager or sub-managers to manage the assets in the Account Group in accordance with Client's investment objectives

With respect to item 5, Pinnacle may appoint one or more sub-managers that are entities or individuals affiliated with Pinnacle or one or more sub-managers that are entities or individuals not affiliated with Pinnacle. Pinnacle will be required to obtain Client's prior approval of the appointment of a sub-manager only if such appointment will result in an increase to the Fee Schedule of this Agreement.

**Responsibilities of Client.** Client will provide Pinnacle with full and complete information about Client's investment objectives and financial situation and will notify Pinnacle promptly of any significant changes in the information provided. Client will establish a separate account(s) with a custodian ("Custodian") approved for participation in the Program to hold the assets in the Account Group. Pinnacle shall not be held liable for Client's failure to inform Pinnacle in a timely manner, in writing, of any material change in Client's investment objectives and/or financial situation which might affect the manner in which the assets in the Account Group are invested.

**Responsibilities as Advisor.** In its capacity as Advisor, Pinnacle will provide servicing and reporting to the Client and to any sub-manager or sub-managers Pinnacle has appointed.

**Establishing the Account.** The minimum Account Group value to participate in the Program is \$20,000. Client will initially deposit cash equivalents or securities into the Account Group.

**Management of Account.** Client understands the Program and has had an opportunity to ask questions about how the Account Group will be managed. Client also understands that Client may impose reasonable restrictions on the management of the Account Group by submitting restrictions in writing to Pinnacle. Client acknowledges that there is no guarantee that Client's investment objectives will be achieved. Client understands that investments made for the Account Group are subject to general market and economic risks, domestic as well as foreign, as well as risks associated with investments in individual securities. Client agrees to accept these risks. Client specifically understands that the principal invested in the Account Group could be fully lost or could significantly decline in value.

**Non-Exclusive Management.** Pinnacle, its affiliates, principals, employees, and

agents may have, recommend or take the same or similar positions in specific investments for their own accounts, or for the accounts of other clients, as Pinnacle recommends for the assets in the Account Group. Client expressly acknowledges and understands that Pinnacle shall be free to render investment advice to others and that Pinnacle does not make its services available exclusively to Client. Nothing in this Agreement shall impose upon Pinnacle any obligation to purchase or sell, or to recommend for purchase or sale, for the Account Group any security which Pinnacle, its principals, affiliates, employees or agents may purchase or sell for their own accounts or for the account of another client.

**Term of Agreement.** This Agreement may be terminated for any reason by any party effective upon receipt of written notice of such termination by the other party. There will be a pro-rata refund of any portion of the fees paid by Client with respect to the billing period in which the termination becomes effective. Client will have immediate access to the assets in the Account Group, subject to any limitations or restrictions imposed by the Custodian.

**Joint Accounts.** If this Agreement is signed by more than one person on behalf of Client, Pinnacle may follow the instructions of any one of them, and notice to one shall be considered notice to all. Upon the death of one signatory, the Account Group will be treated as belonging to the others as joint tenants with rights of survivorship, unless there has been written election to hold the Account Group in another manner.

**Nature of Relationships.** Pinnacle and any sub-manager or sub-managers appointed by Pinnacle are separately responsible for providing services under this Agreement. Neither Pinnacle nor any sub-manager or sub-managers appointed by Pinnacle shall have any responsibility or liability for the actions or omissions of the other.

**Limitation of Liability.** To the extent permitted by law, Client agrees to hold Pinnacle and any sub-manager or sub-managers appointed by Pinnacle harmless for any losses or damages incurred by Client or any third party by reason of any action or omission by Pinnacle or any sub-manager or sub-managers appointed by Pinnacle, except that Client may recover losses or damages from a party to the extent such damages are directly caused by the gross negligence, malfeasance or violation of applicable law by such party.

**Non-Waiver of Rights.** Notwithstanding the Limitation of Liability provision above, the federal securities laws and the securities law of certain states impose liability under certain circumstances on persons who act in good faith. Nothing in this Agreement, including the Limitation of Liability provision above, shall in any way constitute a waiver or limitation of any rights which Client may have under any federal or state securities laws.

**Proxy Voting.** Client acknowledges that it is Pinnacle's policy to exercise Client's right to cast proxy votes or to have any sub-manager or sub-managers appointed by Pinnacle to exercise Client's right to cast proxy votes. Client also acknowledges that

Client will not receive proxy voting information directly from the Custodian where Client's securities are held.

**Notices.** Notices must be in writing and must be delivered by the following manner: hand delivered, registered or certified mail or overnight delivery service to Pinnacle at the address set forth below and to Client at the most recent Client address contained in Pinnacle's records.

**Assignment.** Neither the rights nor the obligations of a party under this Agreement may be assigned without the written consent of all parties, except that Pinnacle may appoint a sub-manager or sub-managers to manage the assets in the Account Group in accordance with Client's investment objectives.

**Entire Agreement Modification.** This document constitutes the entire Agreement among the parties with respect to the matters covered, and except as otherwise provided in this Agreement, may be modified only by a written agreement signed by all parties. Nothing in this Agreement shall constitute a waiver of any rights granted to Client under applicable law.

**Client Acknowledgement.** Client acknowledges receiving, on or before the date of this Agreement, a copy of; (1) this Agreement, (2) Part II of Pinnacle's Form ADV (accessible at <http://www.pinnacleinvestments.com/disclosures.asp>), (3) Pinnacle's Privacy Policy. Client shall have the right to cancel this Agreement within five business days of executing it by giving written notice of such cancellation to Pinnacle. In such case, Client shall not be responsible for the payment of any fees under this Agreement, but shall be responsible for any transactions executed prior to receipt by Pinnacle of written notice of cancellation.

**Discretion.** Client understands that Pinnacle, or any sub-manager or sub-managers appointed by Pinnacle, shall provide investment supervision of the Account Group. In addition, Client authorizes Pinnacle, or any sub-manager or sub-managers appointed by Pinnacle, to hold, sell, exchange, invest and otherwise deal with the Account Group's assets as they in their sole discretion deem appropriate. This authorization will remain in effect until revoked by Client's delivery of written notice to Pinnacle.

**Governing Law.** This Agreement shall be governed, interpreted, and enforced in accordance with the laws of the State of New York and shall remain in effect until rescinded or superseded in writing. Venue for any cause of action or claim, including claims made in arbitration, arising under this Agreement shall be in Onondaga County, New York.

**Capacity to Contract.** Client represents that Client is of legal age and no one except the person(s) signing this Agreement has an interest in the Account Group. If Client is signing on behalf of others, Client represents that the persons or entities on whose behalf Client is signing is authorized to enter into this Agreement and Client is duly authorized to sign the Agreement and make representations herein in the name and on

behalf of such other persons or entities.

### **Resolving Disputes and Controversies – Binding Arbitration.**

Binding arbitration is the sole method of resolving disputes and controversies that may arise under this Agreement. This means that Client and Pinnacle give up their right to sue if a dispute or controversy arises under this Agreement. Client acknowledges and understands that under binding arbitration:

- A. All parties to this Agreement are giving up the right to sue each other in court, including the right to a trial by jury, except as provided by the rules of the arbitration forum in which a claim is filed
- B. Arbitration awards are generally final and binding; a party's ability to have a court reverse or modify an arbitration award is very limited
- C. The ability of the parties to obtain documents, witness statements, and other discovery is generally more limited in arbitration than in court proceedings
- D. The arbitrators do not have to explain the reason(s) for their award unless, in an eligible case, a joint request for an explained decision has been submitted by all parties to the panel prior to the first scheduled hearing date
- E. The panel of arbitrators will typically include a minority of arbitrators who were or are affiliated with the securities industry.
- F. The rules of some arbitration forums may impose time limits for bringing a claim in arbitration.
- G. In some cases, a claim that is ineligible for arbitration may be brought in court.
- H. The rules of the arbitration forum in which the claim is filed, and any amendments thereto, shall be incorporated into this Agreement.

**Arbitration Forum and Rules.** All disputes and controversies that may arise between Client and Pinnacle concerning any subject matter, issue or circumstance whatsoever (including, but not limited to, controversies or disputes concerning any account, order or transaction, or the continuation, performance, interpretation or breach of this Agreement or any other agreement between Client and Pinnacle, whether entered into or arising before, on or after the date this Agreement is executed, or involving the appointment by Pinnacle of any sub-manager or sub-managers) shall be determined by binding arbitration in accordance with the FINRA rules then prevailing or any United States securities self-regulatory organization or United States securities exchange of which the person, entity or entities against whom the claim is made is a member, as Client may designate. The parties agree that the hearing locale for any such arbitration shall be Onondaga County, New York.

If Client designates the rules of a United States self-regulatory organization or United States securities exchange and those rules fail to be applied for any reason, then Client shall designate the prevailing rules of any other United States securities self-regulatory



organization or United States securities exchange of which the person, entity or entities against whom the claim is made is a member. If Client does not notify Pinnacle in writing of Client's designation within five (5) business days after such failure or after Client receives from Pinnacle a written demand for arbitration, then Client authorizes Pinnacle to make such designation on Client's behalf.

The designation of the rules of a United States self-regulatory organization or United States securities exchange is not integral to the underlying agreement to arbitrate. Client understands that judgment upon any arbitration award may be entered in any court of competent jurisdiction.

No party shall bring a putative or certified class action to arbitration, nor seek to enforce any arbitration agreement against any person who has initiated in court a putative class action; or who is a member of a putative class who has not opted out of the class with respect to any claims encompassed by the putative class action until: (i) the class certification is denied; or (ii) the class is decertified; or (iii) Client is excluded from the class by the court. Such forbearance to enforce an agreement to arbitrate shall not constitute a waiver of any rights under this Agreement except to the extent stated herein.

Under this agreement, Pinnacle Investments, LLC may allow its affiliated entity, Pinnacle Capital Management, LLC, to serve as sub-manager.

### **Managed Account Solution (MAS) Program**

This is an Envestnet Asset Management, Inc. (Envestnet) investment advisory solution. It provides IARs with an extensive range of investment advisory services for implementing a fee-based management program including, Separately Managed Accounts (SMA), Mutual Fund Solutions (MFS), ETF Solution, Unified Managed Account (UMA), Multi-Manager Account (MMA), Manager Blends, PMC Select Portfolios, PMC Tactical ETF Portfolios, Enhanced Portfolio Strategies and PMC Ultra Short-Term Fixed Income Portfolio.

The MAS program includes the following sub-programs:

1. Advisor Directed Unified Managed Accounts
2. Advisor Directed Unified Managed Accounts Version 2
  - a. ICON Wrap Program
3. Strategic Advisor Portfolios
4. Multi-Manager Accounts
5. Separate Accounts
6. Sigma MMA
7. Advisor Model Management

Together these sub-programs may include:

- Assessment of the Client's investment needs and objectives
- Investment policy planning

- Development of an asset allocation strategy designed to meet the Client's objectives
- Recommendations on suitable style allocations
- Identification of appropriate managers and investment vehicles suitable to the Client's goals
- Evaluation of asset managers and investment vehicles meeting style and allocation criteria
- Engagement of selected asset managers and investment vehicles on behalf of the Client
- Ongoing monitoring of individual asset manager's performance and management (for approved SMA managers and mutual funds only)
- Review of Client accounts to ensure adherence to policy guidelines and asset allocation
- Recommendations for account rebalancing, if necessary
- Online reporting of Client account's performance and progress
- Fully integrated back office support systems to advisors, including custody, trade execution, and confirmation and statement generation, through National Financial Services, LLC.

The balance of this Managed Account Solution section is adopted from Envestnet Asset Management Inc.'s Form ADV Part II, Schedule H; September 2009 Registration number: 801-57260

#### The MAS Programs

For all Programs, the Client and the advisor compile pertinent financial and demographic information to develop an investment program that will meet the Client's goals and objectives. The Client's information is forwarded to Envestnet for review. Envestnet will analyze the information and recommend an appropriate strategy based on the Client's needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. Envestnet's research team uses a number of proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies.

Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums. Envestnet will then propose an overall strategy that includes asset allocation and investment portfolio recommendations for the asset classes. For clients in the SMA, the client is offered access to an actively managed investment vehicle chosen from a roster of independent asset managers (each a "Sub-Manager") from a variety of disciplines. Unlike a mutual fund, where the funds are commingled, a separately managed account is a portfolio of individually owned securities that can be tailored to fit the client's investing preferences. Envestnet will recommend individual asset managers and investment vehicles that correspond to the proposed asset classes and styles; such asset managers are referred to as "Approved Sub-Managers." Alternatively, an individual financial advisor may recommend managers in this program to the client

based on that client's financial advisor's independent research and determination; such asset managers are referred to as "Available Sub-Managers." For certain Sub-Managers, Envestnet has entered into a licensing agreement with the Sub-Manager, whereby Envestnet performs administrative and/or trading duties pursuant to the direction of the Sub-Manager. In such situation the Sub-Manager is acting in the role of a Model Provider (as defined below). For a further description of Approved and Available Sub-Managers, please see the "Manager Evaluation" section below.

For clients in the MFS, Envestnet will select one or more mutual funds based on Envestnet's recommended investment strategy. MFS is a fully discretionary, mutual fund asset allocation program offering a series of model portfolios positioned at various points along the risk/return spectrum. The client is provided with an initial allocation that corresponds to the individual client's goals and objectives. Once the client's assets are invested, Envestnet may add, remove or replace mutual funds at its discretion.

For clients in the PMC Select Portfolio, the PMC Funds proprietary mutual fund family will be utilized for the appropriate investments based on each individual client's investment objective, strategies and risks. When appropriate, non-proprietary mutual funds may be used in the PMC Select Portfolio.

For clients in the ETF Solution, Envestnet will select a portfolio of exchange-traded funds based on Envestnet's recommended investment strategy. ETF Solution is a fully discretionary, exchange-traded fund asset allocation program offering a series of model portfolios positioned at various points along the risk/return spectrum. The client is provided with an initial allocation that corresponds to the individual client's goals and objectives. Once the client's assets are invested, Envestnet may add, or remove or replace exchange-traded funds at its discretion.

For clients in the PMC Tactical ETF Portfolios, Envestnet develops a diversified strategic portfolio of exchange-traded funds, using a blend of asset allocation technologies. The portfolio is then actively traded at Envestnet's discretion pursuant to a tactical strategy based on a series of macroeconomic, fundamental, risk and technical variables with the aim of adjusting asset class exposures opportunistically with market movements. The tactical model does not change the types of investments in the portfolio, only the allocation exposures in the particular asset classes.

For clients in the UMA, the client is offered a single portfolio that, like the MMA program, accesses multiple asset managers representing various asset classes, customized by the client's financial advisor. This investment model delivers the benefits of a traditional separately managed account in a single broadly-diversified portfolio for a minimum investment of \$150,000. Like the MMA, the asset allocation models for UMA are defined by Envestnet; however, in the UMA, the client's financial advisor customizes the portfolio by selecting the specific, underlying investment vehicles in the appropriate model to meet the client's needs. Envestnet provides overlay management services for UMA accounts and client directly owns the underlying securities in the portfolio.

For clients in the MMA, the client is offered a single portfolio that accesses multiple asset managers representing various asset classes. This investment model delivers many of the benefits of a traditional separately managed account in a single broadly-diversified portfolio for a minimum investment of \$250,000, investing in a broad range of various asset classes and styles. Envestnet allocates the portfolio across investment asset classes and complementary asset managers to create a blend that fits the client's investment needs and risk tolerance. Envestnet provides overlay management services for MMA accounts and the client directly owns the underlying securities in the portfolio. A portion of the assets that make up the MMA Program may be invested in the PMC Funds, where appropriate, in conjunction with using multiple Sub-Managers and Investment Vehicles that comprise the investment models. Since Envestnet serves as the investment advisor to the PMC Funds, the amount that Envestnet receives with respect to MMA Program Assets that are invested in the PMC Funds may be greater than just the portion of the MMA Program Assets fee remitted to Envestnet. In order to address the economic incentive that Envestnet may have in investing MMA Program Assets in PMC Funds, when PMC Funds are utilized in the MMA Program, Envestnet makes a corresponding fee reduction to the fee that Envestnet charges for the MMA Program Assets that offsets the fees it receives as a result of those MMA Program Assets being invested in the PMC Funds. Envestnet may still recognize ancillary benefits in investing MMA Accounts in PMC Funds.

For clients in Manager Blends, the client is offered portfolios consisting of models from multiple separate account managers for individual style categories for a minimum investment of \$100,000. By combining multiple managers across style and asset class into one portfolio, Manager Blends can deliver broader diversification than a single asset manager within an individual style category or asset class. Envestnet provides overlay management services for Manager Blends accounts and the client directly owns the underlying securities in the portfolio. Each portfolio is allocated across style categories, e.g., Large Cap Growth, All Cap Core, etc.

For clients in Enhanced Portfolio Strategies – Low Volatility or Structured Growth, the client is offered a portfolio designed to provide the characteristics of alternative investments in the form of a portfolio of mutual funds. The portfolio's attributes include little or no correlation with public equities and fixed income markets, low volatility relative to equities, a favorable return/risk profile, and the ability to enhance overall portfolio diversification. The portfolio is constructed using a diversified group of funds spanning many different style categories, such as, bear market, world bond, domestic equities and emerging markets.

The PMC Ultra Short-Term Fixed Income Portfolio is designed to provide investors with an attractive alternative to money market fund yields. The portfolio is for investors who seek higher returns than those offered by money market funds and are willing to accept some principal fluctuation in pursuit of higher returns. The portfolio is comprised of a diversified group of highly rated short and ultra short-term bond funds selected by the PMC research staff, and combined to offer a combination of liquidity, yield and quality. The portfolio is not a money market fund, nor is it FDIC insured.

Clients that participate in the Programs are required to grant full discretionary investment authority to Envestnet, but Envestnet will generally limit the exercise of this authority to the following circumstances:

- For SMA, Envestnet generally will only use this grant of discretion to replace investment vehicles, including sub-managers, when it deems such a change is necessary; to rebalance a client's account as agreed between the client and Envestnet; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable. However, there may be situations in which Envestnet will fully utilize this grant of discretion, such as to liquidate a position.
- For MFS and PMC Select Portfolios, Envestnet will generally use this grant of discretion to invest in, hold and sell shares in various mutual funds; to liquidate any "in kind" assets that are transferred into the MFS program; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable.
- For ETF Solution and PMC Tactical ETF Portfolios (collectively the "ETF Portfolios"), Envestnet will generally use this grant of discretion to invest in, hold and sell shares in various exchange traded funds; to liquidate any "in kind" assets that are transferred into the ETF Portfolios program; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable.
- For UMA, MMA, Manager Blends and Enhanced Portfolio Strategies, Envestnet generally will only use this grant of discretion as described in the previous circumstances for SMA, MFS and ETF Solution.

PMC Select Portfolios is a mutual fund asset allocation program available in the Program which consists of portfolios managed by Envestnet, using Envestnet's proprietary PMC family of sub-advised mutual funds. Envestnet serves as the investment advisor to the PMC Funds. Features include professional money management, performance reporting, and associated services and support (such as trading, reconciliation, fee calculation, etc.). The PMC Funds consist of the following: Large Cap Growth; Large Cap Value; Small Cap Core; International Equity; Core Fixed Income; Tax-Free Fixed Income. Envestnet is responsible for developing, constructing and monitoring the asset allocation and portfolio strategy for each Fund. Envestnet manages the PMC Funds in a "manager of managers" approach by selecting and overseeing multiple managers who manage distinct segments of a market, asset class or investment style for each Fund. Please review the Fund prospectus for information on sales charges, expenses and management fees as well as any applicable breakpoint discounts.

#### Third Party Model Portfolios

In addition to the Programs, which use Envestnet's proprietary investment models, Envestnet has retained sub-advisors for the purposes of creating asset allocation model portfolios ("Third Party Model Portfolios" or "Third Party Asset Allocation Strategists"). Such sub-advisors shall be referred to herein as "Model Providers." Envestnet may, from time to time, replace existing Model Providers or hire others to create Third Party Model Portfolios. Clients acknowledge that Envestnet cannot guarantee the continued

availability of Third Party Model Portfolios created by particular Model Providers.

The Model Providers are responsible for all investment selections made for the portfolios they create. It is up to the investor to select a Third Party Model Portfolio. Unless Envestnet affirmatively cites the Model Providers as “Approved”, Envestnet does not collect and report data on investment style and philosophy, past performance, and personnel of Model Providers (“Due Diligence”). Model Providers that are not listed as Approved are recommended to a client based on that client’s financial advisor’s independent research and determination. Envestnet does not represent or warrant that the performance of the Third Party Model Portfolios will match or exceed the performance of the models created by Envestnet’s Investments Team or any benchmark index.

Model Providers may add or remove securities from their Third Party Model Portfolios from time to time in their sole discretion. The Model Providers will select and monitor the performance of the investments in their Third Party Model Portfolios and will periodically adjust and rebalance the Third Party Model Portfolios in accordance with their investment strategies. In managing the Third Party Model Portfolios certain Model Providers may pursue an investment strategy that utilizes underlying mutual funds or exchange traded funds advised by the Model Provider or its affiliate(s) (“Proprietary Funds”).

In such situations, the Model Provider or its affiliate(s) may receive fees from the Proprietary Funds for serving as investment advisor or other service provider to the Proprietary Fund (as detailed in the Proprietary Fund’s prospectus). These fees will be in addition to the management fees that a Model Provider receives for its ongoing management of the Third Party Model Portfolio and creates a financial incentive for the Model Provider to utilize Proprietary Funds. Clients should discuss any questions with or request further information from their financial advisor concerning the use of Proprietary Funds in Third Party Model Portfolios or the conflict of interest this creates.

#### Program Investments

For the Programs, Envestnet selects and monitors the Approved Sub-Managers that make investment decisions. Envestnet evaluates managers specializing in each of the asset categories listed, including equities (both domestic and foreign); corporate debt; commercial paper; certificates of deposit; municipal securities; mutual funds; real estate investment trusts; government securities; options; and futures.

Envestnet will recommend an asset allocation (and managers within an asset category) based upon the Client’s needs and objectives. In some cases, money managers will supply Envestnet with a Third Party Model Portfolio, and Envestnet will invest Client assets accordingly, as more fully described above.

Envestnet reviews the investment strategies and performance of a wide range of managers. From time to time, managers of non-traditional or alternative investment strategies will be recommended to Clients meeting the appropriate suitability criteria.

Examples of such investments include so-called “hedge” products and private equity placements.

At its discretion, Envestnet may utilize the services of third-party consultants in support of Envestnet’s management of the Programs, to provide internal investment consulting services such as research, asset allocation models, advice and recommendations. All decision making with respect to the advice provided by such third-party consultants shall be made solely by Envestnet.

#### Research Methods

For the Programs, Envestnet’s research team has responsibility for two primary areas pertaining to investment advice: (i) asset allocation and portfolio construction and (ii) asset manager and investment vehicle evaluation.

With respect to asset allocation and portfolio construction, Envestnet uses demographic and financial information provided by the Client and advisor to assess the Client’s risk profile and investment objectives in determining an appropriate plan for the Client’s assets. The research team uses proprietary analytical tools and commercially available optimization software applications to develop its asset allocation strategies. Factors used as inputs in the asset allocation process include historical rates of risk and return on various asset classes, correlation across asset classes, and risk premiums, among others.

#### Manager Evaluation

Regarding asset management and investment vehicle evaluation, Envestnet employs a rigorous multiphase approach to researching and selecting managers suitable for participation in its investment programs, “Approved Sub-Managers.” Approved Sub-Managers are evaluated using data and information from several sources, including the manager and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed are the manager’s Form ADV Part II, as well as portfolio holdings reports that help demonstrate the manager’s securities selection process. To ensure accuracy Envestnet attempts to verify all information by comparing it to publicly available sources.

The investment professionals at the investment management firms are a primary source of information to Envestnet, providing quantitative and qualitative information. In addition, Envestnet employs several publicly available databases from independent sources, including but not limited to Nelson’s Directory of Investment Managers, the Mobius M-Search database, Morningstar’s Principia application, Bloomberg and Russell Mellon. These databases are used to verify the information provided by the managers.

Envestnet seeks managers with a variety of investment strategies in an effort to make a wide range of investment strategies available. Some strategies may be high-risk strategies. Such strategies usually have the potential for substantial returns; however, there are correspondingly significant risks involved in the strategies. Such strategies

are not intended for all investors. Clients who choose to follow high-risk strategies should be aware that there is the possibility of significant losses up to and including the possibility of the loss of all assets placed in the strategies. It is strongly recommended that Clients diversify their investments and do not place all of their investments in high-risk investment strategies.

In addition to Approved Sub-Managers, Envestnet also makes available certain Sub-Managers with respect to whom Envestnet has not performed Due Diligence. These Sub-Managers are categorized as “Available Sub-Managers” and Envestnet makes no recommendations concerning Available Sub-Managers. An investment advisor is responsible for determining that it has sufficient information about an Available-Sub-Manager to select such manager to provide services to advisor and Clients.

#### Advisor Directed Models

In addition to the Programs, Envestnet offers Advisors the ability to create their own model portfolios for Clients. For Client's using an Advisor Directed Model, Envestnet is providing only administrative services, provides no advisory services and is not responsible for the selection of the specific investment choices made with respect to an Advisor Directed Model.

Client's Advisor may configure the Advisor Directed Models program so that neither Advisor nor Envestnet will exercise investment discretion in relation to the Client's investment model portfolio (a “Non-Discretionary Advisor Directed Models Program”). In a Non-Discretionary Advisor Directed Models Program, the Client has the ability to create his or her own model portfolios from among a group of designated investment vehicles. Advisor will review investment model strategies with Client to determine that the use of a particular investment strategy is appropriate and suitable for Client. Client will approve of any subsequent changes to the investment model.

#### Account Statements

During any month in which there is activity in the account, the client will receive a monthly account statement from the custodian showing account activity and positions in the account at month-end. Client will always receive a quarterly statement from the custodian providing a detailed list of holdings with valuations and account activity as well as confirmations of all securities transactions from the clearing firm. In addition, the Client will receive a quarterly statement from Envestnet showing the allocation of the assets in the account as well as the performance of the account during the previous quarter.

The Managed Account Solutions programs are intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Each Client's account is managed on the basis of the Client's individual financial situation. Each Client has the opportunity to select the account's investment objective and impose reasonable restrictions on the management of the assets in the account. In addition, Clients will be contacted annually and notified quarterly, in order to confirm the accuracy of information regarding this Client.

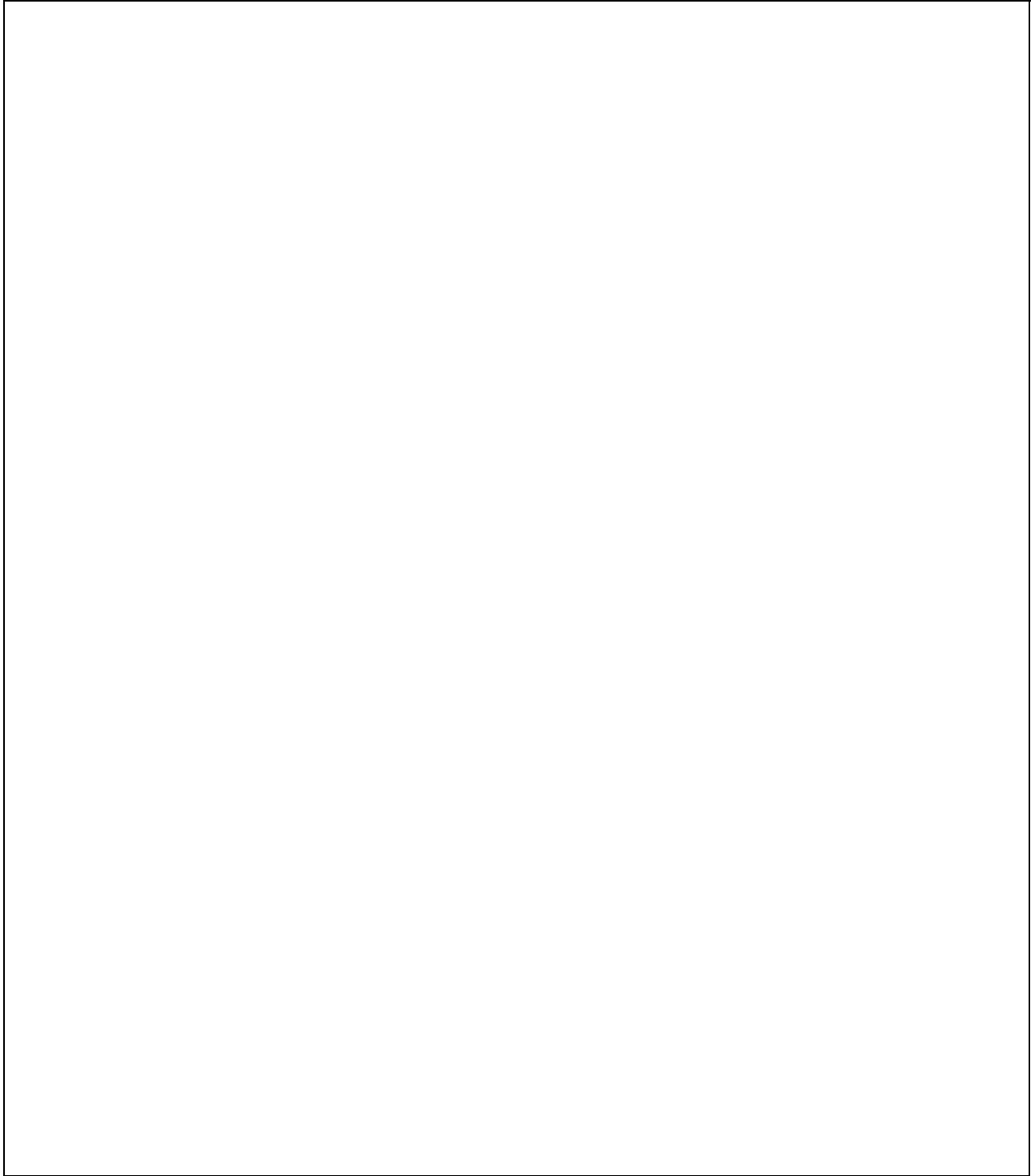


#### Termination

The Terms and Conditions for each Program contain termination provisions. An agreement may be canceled by either party at any time, for any reason, upon receipt of 30 days prior written notice. Clients will receive a prorated refund of any pre-paid quarterly program fee, based upon the number of days remaining in the quarter after the termination date. Clients are not charged a liquidation fee if securities are to be delivered in-kind.

#### **Item 4.E.**

Pinnacle Investments, LLC provide continuous and regular supervisory or management services to securities portfolios. As of March 2014, there are 890 discretionary accounts representing \$171,217,737 of assets under management and 2 non-discretionary accounts representing \$5,000,000 of assets under management.



**Item 5.A.D.C.D., & E.****Managed Account Program Fees: (A Discretionary Investment Advisory Agreement)**

**Payment of Fees.** Client will pay the asset-management fee outlined in the Fee Schedule section of the Agreement. The fee will be payable not more frequently than monthly in advance, but in no event less frequently than semiannually in advance, based on the average daily balance of the market value of the positions held in the Account Group. The minimum annual Program fee under this Agreement will be \$100.00. Accordingly, Client may pay an effective rate that is greater than the rate specified. Should this Agreement be accepted on a date other than the first day of the billing period, Client's asset-management fee will be calculated on a pro-rata basis for that period. Client hereby authorizes the Custodian to pay the fee directly to Pinnacle from the Account Group. To pay any fees incurred, funds will be deducted from the Account Group and if necessary from liquidating holdings in the following order: cash positions; money market funds or current positions in the Account Group. Client may be responsible for additional costs including, but not limited to, transaction and custodial fees. **The fees for the Managed Account Program ranges from 0% to 3% of AUM, annually. Furthermore, the fees are negotiable.**

**Fee Schedule.**

<input type="checkbox"/> <b>Linear Schedule</b>	<b>Annual Fee</b>	<i>or</i>	<input type="checkbox"/> <b>Tiered Schedule</b>	<b>Annual Fee</b>
<b>All Assets</b>	%		First \$100,000	%
			+ Next \$150,000	%
			+ Next \$250,000	%
			+ Next \$250,000	%
			+ Next \$250,000 & above	%
<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 45%;"> <b>Household:</b> <input type="checkbox"/> Yes <input type="checkbox"/> No  <b>Accounts to be bundled:</b>  <div style="border-bottom: 1px solid black; width: 100%; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; width: 100%; margin-bottom: 5px;"></div> <div style="border-bottom: 1px solid black; width: 100%;"></div> </div> <div style="width: 50%; border-top: 1px solid black; padding-top: 10px;"> <b>If applicable, one-time upfront fee: \$ _____</b> </div> </div>				

Pinnacle or a sub-manager may receive additional compensation related to fees borne indirectly by Client from mutual funds and/or new issues held in the Account Group. The compensation may include, but is not limited to, 12(b)-1 distributions, selling concessions, and/or other compensation described in a relevant prospectus and/or offering circular. Client acknowledges that Client understands the concept of additional compensation. Client also agrees that under the Program, Pinnacle and any sub-manager will be permitted to receive such additional compensation without first obtaining Client's specific approval.

## **Managed Account Solution (MAS) Program Fees**

### **Fee Schedule**

Clients in the Programs pay a program fee (“Program Fee”) from which Envestnet pays the sub-managers and any third-party service provider. The Program Fee may also include investment management services comprised of Client profiling, strategic asset allocation, style allocation, research and evaluation of asset managers, ongoing monitoring of manager and account performance, asset manager hiring and termination, account rebalancing, account reporting, and other operational and administrative services. However, Clients whose advisors perform the asset allocation themselves do not receive all of the services listed above, but pay a lower Program Fee.

There is a minimum annual Program Fee charged per Account for participation in the Program. Other costs that may be assessed to the Client and that are not part of the Program Fee are described below in Other Issues Relating to Fees. The Program Fee does not include any advisory fee charged by advisors to their individual Clients. The Program Fee may not include certain fees charged by a broker or custodian used by that Client’s advisor. In that case, those fees will be disclosed separately to the Client by NFS. Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of the quarter or as an average market value for the preceding quarter.

Program Fees are charged on a calendar quarter basis in advance and prorated to the end of the quarter upon inception of the account or may be charged in arrears if using the average market value for the quarter. The level of the Program Fee will vary with the amount of assets under management and the particular investment styles and investment options chosen or recommended. Clients may receive comparable services from other sources for fees that are lower or higher than those charged by Envestnet. If there is insufficient cash in the Accounts at the time the Program Fee is to be debited from the Accounts, the Client understands and acknowledges that Platform Manager or Sub-Managers may sell an amount of Program Assets to generate sufficient cash to pay the Program Fee. This may create a taxable gain or tax loss for the Client.

Item 5 Fees and Compensation

If Program Assets are illiquid and Platform Manager or a designated Sub-Manager determines that the sale of Program Assets to pay the Program Fee is not feasible, Platform Manager will send the Client an invoice for the Program Fee for the quarter. For reporting only accounts or any other account that necessitates it, another designated Client account will be billed for the Program Fee. The Client agrees to pay this invoice within ten (10) days of receipt. The standard fee schedule for the Program's services is as follows, but may be negotiable in individual cases:

**FEE SCHEDULE**

	Amount	Equity/Balanced Portfolios	Fixed Income Portfolios	Mutual Funds*	Enhanced Portfolio Strategies*
First	\$ 250,000.00	0.95%-1.63%	0.75%-1.31%	0.30%-0.69%**	0.50%-0.63%
Next	\$ 250,000.00	0.80%-1.44%	0.70%-1.25%	0.30%-0.50%**	0.50%-0.63%
Next	\$ 500,000.00	0.68%-1.29%	0.60%-1.16%	0.25%-0.41%**	0.50%-0.63%
Next	\$ 1,000,000.00	0.57%-1.15%	0.53%-1.11%	0.22%-0.36%**	0.50%-0.63%
Next	\$ 3,000,000.00	0.53%-1.10%	0.50%-1.08%	0.20%-0.33%**	0.50%-0.63%
Over	\$ 5,000,000.00	0.50%-1.06%	0.47%-1.04%	0.18%-0.29%	0.50%-0.63%

	Amount	Mutual Fund/ETF Allocations	Third Party Models	Advisor Directed
First	\$ 250,000.00	0.35%-0.75%**	0.20%-0.88%	0.10%-1.31%
Next	\$ 250,000.00	0.35%-0.56%**	0.20%-0.69%	0.10%-1.31%
Next	\$ 500,000.00	0.31%-0.49%**	0.16%-0.60%	0.07%-0.94%
Next	\$ 1,000,000.00	0.27%-0.43%**	0.14%-0.53%	0.03%-0.88%
Next	\$ 3,000,000.00	0.23%-0.36%**	0.13%-0.45%	0.03%-0.86%
Over	\$ 5,000,000.00	0.20%-0.31%**	0.12%-0.38%	0.03%-0.85%

	Amount	Unified Managed Accounts (UMA)***	PMC Ultra Short-Term Fixed Income	Multi-Manager Account (MMA)**
First	\$ 250,000.00	0.55%-0.88%	0.20%-0.25%	1.15%-1.44%
Next	\$ 250,000.00	0.45%-0.63%	0.20%-0.25%	1.00%-1.25%
Next	\$ 500,000.00	0.38%-0.56%	0.20%-0.25%	0.83%-1.04%
Next	\$ 1,000,000.00	0.32%-0.49%	0.20%-0.25%	0.72%-0.90%
Next	\$ 3,000,000.00	0.28%-0.44%	0.20%-0.25%	0.61%-0.76%
Over	\$ 5,000,000.00	0.25%-0.41%	0.20%-0.25%	0.55%-0.69%

## Item 5 Fees and Compensation

\* The fee charged depends on the manager(s) selected. Fees are calculated on a per account basis. Mutual funds, ETFs and alternative investments charge their own fees for investing the pool of assets in the respective investment vehicle. Please see the prospectus or related disclosure document for information regarding these fees.

\*\* Envestnet or its affiliates may receive 12b-1 fees from mutual funds in which Clients invest. Fees charged with respect to mutual funds will be credited with the amount of any distribution or Rule 12b-1 fees Envestnet receives.

\*\*\* Add an additional 0.125% - 0.15% for each SMA model used in the UMA portfolio.

### **Other Issues Relating to Fees**

The cost of investment advisory services provided through the Programs may be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the program to a particular Client include the size of the account; the type of account (*i.e.*, equity or fixed income); the size of the assets devoted to a particular strategy; and the managers selected. In some cases, investment advisors who recommend the Program to their clients may receive compensation from Envestnet as a result of their Clients' participation in the programs. This compensation may be more than what the advisor would receive if the client participated in other programs or paid separately for investment advice, brokerage and other services. Such individuals may therefore have a financial incentive to recommend the Program over other programs or services. However, the Program fees have not been increased to cover fees paid to those advisors.

The Program Fee does not cover certain charges associated with securities transactions in clients' accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any collective investment vehicles, such as mutual funds and closedend funds, unit investment trusts, exchange-traded funds or real estate investment trusts (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses. Further information regarding charges and fees assessed on collective investment vehicles may be found in the appropriate prospectus or offering document) or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law, and (vi) any brokerage commissions

## Item 5 Fees and Compensation

or other charges, including contingent deferred sales charges (“CDSC”), imposed upon the liquidation of “in-kind assets” that are transferred into the Program. With respect to this latter type of charge, Envestnet may liquidate such assets transferred into a Program in its sole discretion. Clients should thus be aware that if they transfer in-kind assets into a Program, Envestnet may liquidate such assets immediately or at a future point in time and clients may incur a brokerage commission or other charge, including a CDSC. Clients also may be subject to taxes when Envestnet liquidates such assets. Accordingly, Clients should consult with their financial advisor and tax consultant before transferring in-kind assets into a Program.

In addition to the redemption fees described above, a Client may incur redemption fees, when the portfolio manager to an investment strategy determines that it is in the Client’s overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Collective Investment Vehicles prior to the expiration of the collective investment vehicle’s minimum holding period. Depending on the length of the redemption period, the particular investment strategy and/or market circumstances, a portfolio manager may be able to minimize any redemption fees when, in the portfolio manager’s discretion, it is reasonable to allow a Client to remain invested in a Collective Investment Vehicle until expiration of the minimum holding period.

The Program Fee does not cover certain custodial fees that may be charged to clients by the Custodian. Clients also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by clients. Accounts may be subject to transaction-based ticket charges assessed by the custodian for the purchase of certain mutual funds. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account (“IRA”) trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs).

Some mutual funds assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

**Item 6.**

The principal executive officers and other employees of Pinnacle Investments, LLC may, from time to time, receive 12B-1 distribution fees from investment companies in connection with the placement of client funds into investment companies. The receipt of this compensation may affect Pinnacle Investments, LLC's judgment in recommending products to its clients.

Pinnacle Investments, LLC will receive a solicitation fee from the National Financial wrap fee program (outline above). This fee will be received in accordance with applicable SEC and/or state regulations.

There is no side-by-side management.

There are performance-based fees related to Pinnacle Capital Management, LLC's (affiliate company) Pinnacle Aggressive Growth Global/Extended Fund, LP, a Delaware limited partnership (PAGGE). The PAGGE Fund will share its management fee and performance allocation with Pinnacle Investments, LLC who will serve as an Independent Consultant introducing investors to the Fund.

**Management Fee:**

Pinnacle Investments, LLC will receive an annual fee equal to (i) 100 basis points of the investor's capital, adjusted for gains, losses and expense charges, *during* the one-year period beginning on the date the capital is received by PAGGE and (ii) 75 basis points of the investor's capital, adjusted for gains, losses and expense charges, *following* the one-year period beginning on the date the capital is received by PAGGE.

**Performance Allocation:**

**Charter Broker Pool.** The General Partner will also pay the Consultant the amount of the Charter Broker Pool. Payments will be made annually within 60 calendar days after the fiscal year end of PAGGE or as soon thereafter as practicable pending the determination of the final net asset value and audit of PAGGE. The amount of each Charter Broker Pool payment will equal:  $(.25 * \text{the amount of the annual performance allocation collected by the General Partner or the Investment Manager} * \text{the Charter Broker Ratio})$ . The numerator of the Charter Broker Ratio will equal the amount of Charter Investor Capital placed by the Consultant and still held by PAGGE as of the date the annual performance allocation is calculated. The denominator of the Charter Broker Ratio will equal the total amount of Charter Investor Capital held by PAGGE at the expiration of the Charter Investor Period. Charter Investor Capital is the initial capital invested in PAGGE prior to the expiration of the Charter Investor Period, excluding capital invested by the General Partner, the Investment Manager and their principals. The General Partner and the Investment Manager shall have full discretion to determine the expiration date of the Charter Investor Period. In calculating the amount of Charter Investor Capital held by PAGGE, the General Partner or the Investment Manager will take into account all withdrawals of Charter Investor Capital.



**Item 7.**

Pinnacle Investments, LLC generally provides investment advice to

- ☐ Individuals
- ☐ Trusts, estates and charitable organizations
- ☐ Corporations or business entities other than those listed above

For Managed Account Program clients, the minimum account size is \$20,000. Accounts with assets below \$20,000 may be established on a case-by case basis.

For Managed Account Solution (MAS) clients, the minimum account size varies according to the type program described in Item 4A.

**Item 8A.B., & C.**

Pinnacle Investments, LLC 's security analysis methods include:

- ☐ Charting
- ☐ Fundamental
- ☐ Technical
- ☐ Cyclical

Pinnacle Investments, LLC 's main source of information include:

- ☐ Financial newspapers and magazines
- ☐ Research materials prepared by others
- ☐ Annual reports, prospectuses, filings with the Securities and Exchange Commission
- ☐ Company press releases

Pinnacle Investments, LLC 's investment strategies used to implement any investment advice given to clients include:

- ☐ Long term purchases (securities held at least a year)
- ☐ Short term purchases (securities sold within a year)
- ☐ Trading (securities sold within 30 days)
- ☐ Short sales
- ☐ Margin transactions
- ☐ Option writing, including covered options, uncovered options or spreading strategies

Investing in securities involves risk of loss that *clients* should be prepared to bear. In the case of a primary trading investing strategy, frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

***Item 9A.B., & C.***

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Pinnacle Investments, LLC or the integrity of our management.

***Item 10A.B.C.,&D.***

Pinnacle Investments, LLC is registered as a securities broker-dealer. We also have arrangements that are material to its advisory business or clients with a related person who is an investment company and other investment advisor. Pinnacle is also a general partner in a partnership in which clients are solicited to invest. These arrangements and partnerships are disclosed as follows:

**OTHER BUSINESS ACTIVITIES AND AFFILIATIONS**

**Pinnacle Holding Company, LLC**

Pinnacle Holding Company, LLC is the parent company of 1) Pinnacle Investments, LLC, 2) Confidential Planning I, LLC and 3) Pinnacle Capital Management, LLC. Pinnacle Investments, LLC is affiliated with Pinnacle Advisors, LLC. Pinnacle Advisors, LLC is an SEC-registered investment advisor. The advisory services provided by Pinnacle Advisors, LLC are separate and distinct from the advisory services provided by Pinnacle Investments, LLC, or any other subsidiary of Pinnacle Holding Company, LLC.

**Confidential Planning I, LLC**

Confidential Planning I, LLC is a registered investment advisory firm focused on bringing single provider 403(b) retirement plans to educators and employees of schools, hospitals and not-for-profit (501c) organizations. The representatives may offer Plan Sponsors with customized investment advisory services, diversified investment menus, consulting and reporting, and participant educational programs.

**Pinnacle Capital Management, LLC**

Pinnacle Capital Management, LLC (PCM) is a boutique investment management firm providing services to individual investors, corporations, pension funds, foundations, endowments, labor unions, insurance companies, healthcare organizations and governments. PCM specializes in managing equity, balanced and fixed income portfolios by identifying undervalued securities of well-known companies.

**Sub-Advisory Services**

PCM provides portfolio management services in the Pinnacle Investments' Pinnacle Capital Management Separately Managed Account Program (hereinafter "PCM SMAP"). PCM SMAP is a wrap fee program where Pinnacle Investments, LLC (hereinafter "PI") is the advisor and wrap fee program sponsor, and PCM is the sub-advisor responsible for portfolio management services. As part of its portfolio management services, depending on the version of the PCM SMAP agreement, PCM may vote proxies on behalf of participants.

PCM is compensated by PI for providing portfolio management services for clients participating in the wrap fee program. The participants in PCM SMAP are clients of PI and not advisory clients of PCM. PI is responsible for assisting clients in understanding the wrap fee program in light of the client's investment objectives and financial situation; initially and on an ongoing basis. PI is also responsible for client communication, portfolio reviews, client services, account maintenance, and communicating client portfolio strategy changes to PCM. PCM manages client portfolios in accordance with the portfolio strategy selected on the PCM SMAP agreement with full trading discretion, subject to written restrictions, and does not act in any other capacity. The Brochure for this Wrap Fee Program can be accessed via the following link:

<http://www.pcm-advisors.com/investorcommunication.htm>

#### Sub-Advisory Services Fees

PCM is compensated by PI as a sub-advisor for providing portfolio management services for clients participating in PCM SMAP. Generally, PI compensates PCM 0.50% of assets under management in the program annually. In certain circumstances, PI may compensate PCM at an alternative amount based on a mutually agreed upon fee for a particular PCM SMAP agreement. This amount may be more or less than 0.50% annually.

#### LakeWater Capital Management, LLC

PCM is a partial owner of LakeWater Capital Management, LLC (hereinafter "LCM"). LCM manages the LakeWater Total Return Opportunity Fund, a private investment fund for accredited investors. As part of the Service Agreement between PCM and LCM, PCM provides back office operations, administrative support, compliance functions, IT infrastructure, human resource management, and employee benefits to LCM. In addition, PCM and LCM share office space, rent, and certain administrative costs. PCM may refer clients to LCM; conversely, LCM may refer clients to PCM. PCM may receive additional compensation from LCM for referrals that result in investment in LCM's fund.

While PCM endeavors at all times put the interest of the clients first as part of its fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect judgment of PCM when making recommendations.

Item 10 Other Financial Industry Activities and Affiliations

Pinnacle Advisors, LLC

Pinnacle Advisors, LLC is a SEC-registered investment advisor and is affiliated with Pinnacle Investments, LLC. The affiliate CRD Number is 142910 and the affiliate Investment Adviser SEC File Number is 801-67860.

**Item 11A.B.C.,&D.**

Pinnacle Investments, LLC has discretionary authority to determine the following:

- ☐ Securities to be bought or sold for a client's account
- ☐ Amount of securities to be bought or sold for a client's account
- ☐ Broker or dealer to be used or recommended for a purchase or sale of securities for a client's account
- ☐ Commission rates to be paid to a broker or dealer for a client's securities transactions

Our code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules follows:

**PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

It is the expressed policy of Pinnacle Investments, LLC that no person employed by Pinnacle Investments, LLC may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Pinnacle Investments, LLC or individuals associated with Pinnacle Investments, LLC may buy or sell securities identical to those recommended to customers for their personal accounts. Additionally, any related person(s) may have an interest or position in a certain security (ies) which may also be recommended to a client.

As these situations represent a conflict of interest, Pinnacle Investments, LLC has established the following restrictions in order to ensure its fiduciary responsibilities:

- 1) No director, officer or employee of Pinnacle Investments, LLC shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of Pinnacle Investments, LLC shall prefer his or her own interest to that of the advisory client.
- 2) Pinnacle Investments, LLC maintains a list of all securities holdings for itself, and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer of Pinnacle Investments, LLC.
- 3) All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
- 4) Pinnacle Investments, LLC emphasizes the unrestricted right of the client to decline to implement any advice rendered, except in situations where Pinnacle Investments, LLC is granted discretionary authority of the client's account.

5) Pinnacle Investments, LLC requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

6) Any individual not in observance of the above may be subject to termination.

Pinnacle Investments, LLC will aggregate trades for itself or for its associated person with client trades, providing that the following conditions are met:

1) Pinnacle Investments, LLC's policies for the aggregation of transactions shall be fully disclosed in this Form ADV and separately to Pinnacle Investments, LLC's existing clients (if any) and the broker-dealer(s) through which such transactions will be placed;

2) Pinnacle Investments, LLC will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients and is consistent with the terms of Pinnacle Investments, LLC 's investment advisory agreement with each client for which trades are being aggregated;

3) No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all Pinnacle Investments, LLC 's transactions in a given security on a given business day, with transaction costs shared pro-rata based on each client's participation in the transaction;

4) Pinnacle Investments, LLC will prepare, before entering an aggregated order, a written statement ('Allocation Statement') specifying the participating client accounts and how it intends to allocate the order among those clients;

5) If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement; if the order is partially filled, it will be allocated pro-rata based on the Allocation Statement.

6) Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment and the reason for different allocation is explained in writing and is approved by Pinnacle Investments, LLC 's compliance officer no later than one hour after the opening of the markets on the trading day following the day the order was executed;

7) Pinnacle Investments, LLC's books and records will separately reflect, for each client account, the orders of which are aggregated, the securities held by, and bought and sold for that account;



- 8) Funds and securities of clients whose orders are aggregated will be deposited with one or more banks or broker-dealers, and neither the clients cash nor their securities will be held collectively any longer than is necessary to settle the purchase or sale in question on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement;
- 9) Pinnacle Investments, LLC will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation; and
- 10) Individual advice and treatment will be accorded to each advisory client.

***Item 12A.1, 12A.2, 12.3, &B.***

Pinnacle Investments, LLC does not receive research or other products or services other than execution from a broker-dealer or a third party in connection with client securities transactions, sometimes called “soft dollars”.

Pinnacle Investments, LLC’s registered representatives working in an IAR capacity may enroll clients in the managed account program (described above) and direct clients to Pinnacle Capital Management, LLC.

Pinnacle Investments, LLC has the ability to aggregate the purchase or sale of securities for various client accounts. This typically occurs when registered representatives are seeking best price execution for their clients.

***Item 13.***

At Pinnacle Investments, LLC a representative sample of accounts are reviewed at least quarterly. The securities held in Portfolio Management accounts are reviewed continuously, and Portfolio Management accounts may be reviewed more frequently in the event of material market, economic or political events or changes in the client's individual circumstances. All reviews are made by Pinnacle Investments, LLC's CEO, Eric Krouse, CCO, Susan Griffith & Municipal Securities Principal, Robert Cuclich.

***Item 14.***

Pinnacle Investments, LLC (or related persons) does not compensate for client referrals nor does it receive economic benefits, such as sales awards or other prizes, for providing investment advice or other advisory services to our clients.

***Item 15.***

Pinnacle Investments, LLC does not have custody of our client's accounts. Account statements will be sent directly to our clients from our qualified custodian, National Financial Services, and should be carefully reviewed by our clients.

***Item 16***

For discretionary clients, Pinnacle Investments, LLC requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold.

Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

Pinnacle Investments, LLC will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows Pinnacle Investments, LLC to execute equity trades in a timelier, equitable manner and to reduce overall commission charges to clients.

***Item 17***

In Pinnacle Investments, LLC's Managed Account Program, clients may or may not receive company proxies on their holdings depending on whether they have authorized the Advisor to vote proxies on their behalf.

***Item 18A.B.,&C.***

In certain circumstances, registered investment advisors are required to provide clients with material financial information or disclosures about their financial condition. Information is considered material if there is a substantial likelihood that a reasonable investor would consider it important to an investment decision, or if it would alter the total mix of available information about the company.

While our current projections indicate that Pinnacle Investments, LLC (PI) will be profitable in Fiscal 2013 & 2014, we acknowledge the fact that Pinnacle's parent, Pinnacle Holding Company, LLC ("PHC"), may have a loss over that same period. We do not believe this will have a material impact on PI's liquidity, capital resources or operations. Additionally, PI is audited annually and has always been given a "clean" opinion without any "ongoing concern" disclosures.

PI does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance for either discretionary or non-discretionary accounts and does not produce stand alone balance sheets for its investment advisor operations. PI has never been the subject of a bankruptcy proceeding and it regularly files financial statements with the SEC. These are available through the SEC.



## ***Item 19***

### Education & Business Background

GREGG A. KIDD BORN: 1962

#### Education

Graduated from Ithaca College in 1984 with a B.S. in Physical Education.

#### Employment History

Managing Partner, Pinnacle Investments, LLC. from 11/06 to Present.

Managing Partner, Pinnacle Investments, Inc. from 09/95 to 11/06.

DANIEL F. RAITE BORN: 1948

#### Education

Graduated from SUNY at Oswego in 1983 with a B.S. in Business.

#### Employment History

Managing Partner, Pinnacle Investments, LLC. from 11/06 to Present.

Member of Pinnacle Advisors, LLC. from 10/96 to Present.

Managing Partner, Pinnacle Investments, Inc. from 09/95 to 11/06.

ERIC D. KROUSE BORN: 1959

#### Education

Graduated from University of New Mexico, Anderson School of Management in 1986 with a B.A. in Business Administration.

#### Employment History

Financial Consultant, Smith Barney - Citigroup Global Markets from 12/00 to 10/05

Pinnacle Investments, Inc. from 10/05 to 07/07

- Financial Advisor, Vice President from 10/05 to 05/06

- Chief Compliance Officer from 05/06 to 08/06

President, Confidential Planning Corporation from 3/07 to present

Pinnacle Investments, LLC from 08/06 to present

- Chief Compliance Officer from 05/06 to 12/07

- Chief Operating Officer from 01/08 to 12/10.

- Chief Executive Officer from 01/11 to Present.

***Item 19***

**DANIEL P. MODY BORN: 1971**

Education

Graduated from SUNY Geneseo in 1993 with a B.A. in Mathematics. Certified Financial Planner Licensee in 1997.

Employment History

En Passant Financial Planning from 2001 to 2005.

Vice President of Pinnacle Investments Inc. from 5/05 to 11/06.

Partner of Pinnacle Investments LLC. from 11/06 to Present.

**JOSEPH MASELLA BORN: 1950**

Education

Phi Beta Kappa graduate of Rutgers University in with B.A. in 1974 & J.D. 1977

Employment History

CEO, Pinnacle Capital Management, LLC 10/11 to present

35 years in the life insurance and related financial services industries. This includes completing the first merger ever between New York-domiciled and non-New York domiciled life insurers. Having served in numerous senior executives positions, his responsibilities have spanned marketing, sales, investments, compliance, legal, corporate governance, government relations and risk management. While involved in product-development, Masella brought the first equity-indexed annuity to market in New York State.

**SUSAN J. GRIFFITH BORN: 1961**

Education

Graduated from Central City Business Institute in 1981 with an A.S. in Business Administration

Employment History

1/2010 – 10/2012 – Senior Complex Service Manager – Morgan Stanley, Syracuse Complex

3/2009 – 1/2010 – Senior Assistant Operations Manager—Morgan Stanley Smith Barney, Syracuse Complex

3/2007 – 3/2009 – Assistant Branch Manager – Citigroup, Fingerlakes Complex

3/2005 – 3/2008 – Operations Manager – Citigroup, Fingerlakes Complex

9/2002 – 3/2005 – Senior Assistant Operations Manager- Citigroup, Syracuse New York

1/2001 to 8/2002 – Control Administrator – Citigroup, Syracuse, New York

1/92 to 12/2000 – Branch Administrator – Shearson Lehman Brothers (American Express), Smith Barney (Citigroup)

ROBERT F. CUCULICH    BORN: 1956

Education

Graduated from Syracuse University in 1978 with a B.S. in Management

Graduated from Syracuse University in 1982 with an MBA

Employment History

Partner, Pinnacle Investments, LLC 03/08 to present

33 years in the financial services industries. Current President and Portfolio Manager of NYSA Fund (symbol: NYSAX). Also current Board Member of Central New York Regional Transportation Authority.

SUSAN J. GRIFFITH        BORN: 1961

Education

Graduated from Central City Business Institute in 1981 with a A.S. in Business Administration

1/2010 – 10/2012 – Senior Complex Service Manager – Morgan Stanley, Syracuse Complex

3/2009 – 1/2010 – Senior Assistant Operations Manager—Morgan Stanley Smith Barney, Syracuse Complex

3/2007 – 3/2009 – Assistant Branch Manager – Citigroup, Fingerlakes Complex

3/2005 – 3/2008 – Operations Manager – Citigroup, Fingerlakes Complex

9/2002 – 3/2005 – Senior Assistant Operations Manager- Citigroup, Syracuse New York

1/2001 to 8/2002 – Control Administrator – Citigroup, Syracuse, New York

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