



Form ADV Part 2A Appendix 1 – Wrap Fee Program Brochure

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This wrap fee program brochure provides information about the qualifications and business practices of Pinnacle Wealth Management. If you have any questions about the contents of this brochure, please contact us at: 303-806-0988, or by email at: tom@pinnaclewm.com. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”), or by any state securities authority.

Additional information about Pinnacle Wealth Management also is available on the SEC’s website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Pinnacle Wealth Management is 112969.

Pinnacle Wealth Management is a Registered Investment Adviser with the SEC. Registration with the SEC and any state securities authority does not imply a certain level of skill or training.

ITEM 2 – Material Changes

This section of the Wrap Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) www.adviserinfo.sec.gov.

Our last annual amendment was dated March 26, 2016. We have had the following changes since our last filing:

- Our Firm is now registered with the SEC and notice filed in the appropriate states.

If you would like another copy of this Brochure, please download it from the SEC Website as indicated above or you may contact our CCO Thomas C. Stefaniak at 303-806-0988, or by email at tom@pinnaclewm.com.

We encourage you to read this document in its entirety.

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ITEM 4 – Services, Fees & Compensation

We offer a wrap fee program as described in this Wrap Fee Program Brochure. Our wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

Our Wrap Advisory Services

We offer discretionary investment management and investment supervisory services for a fee based on a percentage of your assets under management. These services include investment analysis, allocation of investments, quarterly portfolio statements and ongoing management services for the portfolio.

We determine your portfolio composition based on your needs, portfolio restrictions, if any, financial goals and risk tolerances. We will work with you to obtain necessary information regarding your financial condition, investment objectives, liquidity requirements, risk tolerance, time horizons, and any restrictions on investing. This enables us to determine the portfolio best suited for your investment objective and needs.

In performing our services, we shall not be required to verify any information received from you or from other professionals. If you request, we may recommend and/or engage the services of other professionals for implementation purposes. You have the right to engage the services of any such recommended professional.

Once we have determined the types of investments to be included in your portfolio, and allocated them, we will provide ongoing portfolio review and management services. This approach requires us to review your portfolio at least quarterly.

We will rebalance the portfolio, as we deem appropriate, to meet your financial objectives. We will trade these portfolios and rebalance them on a discretionary basis. Our advisory services are tailored to meet your individual needs. You will have the ability to leave standing instructions with us to refrain from investing in particular industries or invest in limited amounts of securities in the investment management agreement.

Relative Cost of the Program

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we may have an incentive to limit our trading activities in your account(s) because we incur the fees for executed trades. In order to mitigate this conflict of interest, we will fulfill our fiduciary duty by acting in the client's best interest.

The fees for portfolio management are based on an annual percentage of your assets that we manage. The fees are applied to the account asset value on a pro-rated basis, billed quarterly in advance. The initial fee will be based upon the market value of the account on the date the account

is accepted for management by execution of the investment advisory contract by the Firm and the assets are transferred, and then prorated for the number of days in the calendar quarter that your account is under management. Fees are deducted from the custodial accounts. Although not our normal practice, we do accommodate direct billing for a few clients.

Thereafter, the fee will be based on the market value of the account on the last business day of the previous calendar quarter and will cover the period from the first day of the calendar quarter through the last day of the calendar quarter. The market value will be determined as reported by the Custodian. Fees are assessed on all assets under management, including securities, cash and money market balances. Margin debit balances do not reduce the value of assets under management.

Advanced billing is done on a quarterly basis and is the primary way fees are assessed in advisory accounts. Additional deposits and withdrawals will be added or subtracted from portfolio assets on a prorated basis to adjust the Account Fee.

Fees may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. Fees will generally follow the schedule of assets under management outlined below. In certain circumstances at our discretion, we may allow you to negotiate fees.

| Market Value of the Advisory Assets | Maximum Annual Advisory Fees% |
|--|----------------------------------|
| \$ 5,000,001 and above | 1.00% |
| \$ 2,000,001 to \$ 5,000,000 | 1.10% |
| \$ 1,000,001 to \$ 2,000,000 | 1.25% |
| \$ 750,001 to \$ 1,000,000 | 1.35% |
| \$ 500,001 to \$ 750,000 | 1.45% |
| Under \$500,000 | 1.50% |

We will aggregate asset amounts in advisory accounts from your same household together to determine the advisory fee for all your accounts. We may do this, for example, where we also service accounts on behalf of your minor children, individual and joint accounts for a spouse, and/or other types of related accounts. This consolidation practice is designed to allow you the benefit of an increased asset total, which could potentially cause your account(s) to be assessed a reduced advisory fee based on the asset levels available in our fee schedule.

You authorize us to debit your account quarterly for our fee. The independent qualified custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us.

Other Types of Fees & Expenses:

You may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, wire transfer fees and taxes on brokerage accounts

and securities transactions. These fees are not included within the wrap-fee you are charged by our firm.

ITEM 5 – Account Requirements & Types of Clients

We have no minimum account size. We have the following types of clients:

- Individuals and High Net-Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Pensions and Profit Sharing Plans
- Small Businesses

ITEM 6 – Portfolio Manager Selection & Evaluation

Our firm does not utilize outside portfolio managers. All accounts are managed by our in-house professionals. This creates a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services. In order to mitigate this conflict of interest, we will fulfill our fiduciary duty by acting in the client's best interest.

Advisory Business:

See Item 4 for information about our wrap fee advisory program. We offer individualized investment advice to clients utilizing our Wrap Portfolio Management service.

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account.

Participation in Wrap Fee Programs:

We offer wrap fee accounts to our clients, which are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

Performance-Based Fees & Side-By-Side Management:

We do not charge performance fees to our clients.

Methods of Analysis, Investment Strategies & Risk of Loss:

The method of analysis we utilize may include charting, fundamental analysis, technical analysis, and cyclical analysis. We gather our information for investment purposes from financial newspapers, magazines, research prepared by others, corporate rating services, company press releases, annual reports, prospectuses and filings with the Securities and Exchange Commission. Other sources of information that Pinnacle Wealth Management may use include Morningstar Principia mutual fund information, Standard & Poor's stock research, LPL Financial research, and the World Wide Web.

Pinnacle Wealth Management uses industry standard techniques to manage our portfolios. Pinnacle Wealth Management uses Fundamental Analysis, Asset Allocation, Modern Portfolio Theory and Technical Analysis. We also use the following types of tactics: long-term buys, short-term buys, tactical asset allocation and stop loss orders.

Pinnacle Wealth Management uses 5 basic investment models based upon the client's risk tolerance. Within all of these models stocks, bonds, mutual funds and money markets are the primary investment vehicles. Those models are as follows:

Income with Capital Preservation – This is considered generally the most conservative investment objective. Emphasis is placed on generation of current income with minimal risk of capital loss. Lowering the risk generally means lowering the potential income and overall return.

Income with Moderate Growth – Emphasis is placed on generation of current income with a secondary focus on moderate capital growth.

Growth with Income – Emphasis is placed on modest capital growth with some focus on generation of current income.

Growth – Emphasis is placed on achieving high long-term growth and capital appreciation, with very little focus on generation of current income.

Aggressive Growth – Emphasis is placed on aggressive growth and maximum capital appreciation. No focus on generation of current income. This objective has a very high level of risk and is for investors with a longer time horizon.

Surge and Protect Strategy

At Pinnacle Wealth Management our clients have the option to use our Surge and Protect Strategy for managing their investment portfolio. Together with our clients, we decide on a risk tolerance for each of their advisory accounts. The Surge and Protect Strategy is for clients with irreplaceable capital who are seeking capital preservation over appreciation. The objective is to secure gains in advancing markets and to protect capital in sideways markets and negative markets. The tactical nature of Surge and Protect allows PWM to incorporate a wide range of styles and strategies with a focus on low-volatility and total return over market cycles, both short-term and long-term.

Pinnacle Wealth Management uses its discretion to purchase a combination of stocks, bonds, mutual funds and exchange traded funds (ETFs) and other investments to build a portfolio. As the stock market moves up, our client's equity investments can "Surge" up with it. But we do offer some downside protection.

When an ETF is initially purchased in the account, the stop loss order is placed at 10% below the purchase price (15% for small cap and international stock ETF holdings). At Pinnacle Wealth Management's discretion, Pinnacle Wealth Management will review the price of each of the ETF holdings and determine if we should raise the floor (raise the stop loss order). If the ETF value drops below that floor, the stop loss order kicks in to protect some of the downside and the ETF is sold. We place the proceeds from the ETF into the FDIC insured cash account for a length of time at the discretion of Pinnacle Wealth Management. Pinnacle Wealth Management would then use a proprietary model to assess when to buy back into the market. Again, the main focus of this strategy will be to "protect" capital over capital appreciation.

Diversified Strategy

For some of our clients that like the buy and hold strategy, we build a portfolio of stocks, bonds, mutual funds, ETFs and money markets as the primary investment vehicles. We would still use

one of our five basic investment models for these accounts. The Diversified Strategy objective is to achieve a long-term risk-adjusted growth of principal in a buy and hold setting. Some holdings in Diversified Strategy may also be found in the Surge and Protect Strategy.

Risks

Investing in securities involves risk of loss which you should be prepared to bear. Our past performance is not a guarantee of future results. Investing in securities (including stocks, bonds, mutual funds and ETFs) involves risk of loss. Further, different types of investments involve varying degrees of risk. Clients and prospective clients should prepare to bear investment loss including loss of original principal.

There are principal and material risks involved with investing which may adversely affect the account value and total return of your portfolio(s). There are other circumstances (including additional risks that are not described here) which could prevent your portfolios from achieving its investment objective. It is important to read all the disclosure information provided and to understand that you may lose money by investing in the any of our strategies.

Your account is subject to the following risks:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic, and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Voting Client Securities:

We do not and will not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, we will forward them on to you and ask the party who sent them to mail them directly to you in the future.

ITEM 7 – Client Information Provided to Portfolio Manager(s)

Our financial advisors work with you directly to understand your current financial situation, existing resources, financial goals, and tolerance for risk. Our firm urges you to communicate to us any significant changes to your financial or personal circumstances, so that we can consider such information in managing your investments.

ITEM 8 – Client Contact with Portfolio Manager(s)

Our firm does not place restrictions on the client's ability to contact and consult their financial advisor. As the portfolio manager, clients are free to contact us at any time.

ITEM 9 – Additional Information

Disciplinary Information

We have determined that our firm and management have no disciplinary information to disclose.

Financial Industry Activities & Affiliations

Insurance:

Tom Stefaniak is also a licensed insurance agent and sells various life insurance products, long term care and fixed and variable annuities. As a result, Tom Stefaniak receives compensation for these activities as an insurance agent. This creates a conflict of interest. A limited portion of the time he spends (generally less than 10%) is in connection with these activities and it represents less than 10% of our ongoing revenue. Clients are not under any obligation to purchase insurance products.

Broker Dealer:

Pinnacle Wealth Management is not a broker/dealer, but our Investment Adviser Representatives ("IAR") are registered representatives of LPL Financial ("LPL"), a full service broker-dealer, member FINRA/SIPC, which compensates them for effecting securities transactions. When placing securities transactions through LPL in their capacity as registered representatives, they may earn sales commissions. Because the IARs are dually registered agents of LPL and Pinnacle Wealth Management, LPL has certain supervisory and administrative duties pursuant to the requirements of FINRA Conduct Rule 3040. LPL and Pinnacle Wealth Management are not affiliated companies. IARs of Pinnacle Wealth Management spend a portion (generally less than 10%) of their time in connection with broker/dealer activities.

As a broker-dealer, LPL engages in a broad range of activities normally associated with securities brokerage firms. Pursuant to the investment advice given by Pinnacle Wealth Management or its IARs, investments in securities may be recommended for clients. If LPL is selected as the broker-dealer, LPL and its registered representatives, including IARs of Pinnacle Wealth Management, may receive commissions for executing securities transactions.

You are advised that if LPL is selected as the broker-dealer, the transaction charges may be higher or lower than the charges you may pay if the transactions were executed at other broker/dealers. You should note, however, that you have the right to decide whether or not to purchase securities through IARs of Pinnacle Wealth Management or LPL.

Moreover, you should note that under the rules and regulations of FINRA, LPL has an obligation to maintain certain client records and perform other functions regarding certain aspects of the investment advisory activities of its registered representatives. These obligations require LPL to coordinate with, and have the cooperation of its registered representatives that operate as, or are otherwise associated with, investment advisers other than LPL. Accordingly, LPL may limit the use of certain custodial and brokerage arrangements available to clients of Pinnacle Wealth Management and LPL may collect, the investment advisory fee remitted to Pinnacle Wealth Management by LPL. LPL may retain a portion of the investment advisory fee you pay, as a charge for the functions it performs, and such portion may be further re-allowed to other registered representatives of LPL. The charge will not increase the advisory fee you have agreed to pay Pinnacle Wealth Management.

IARs of Pinnacle Wealth Management, in their capacity as registered representatives of LPL, or as agents appointed with various life, disability or other insurance companies, receive commissions, 12(b)-1 fees, fee trails, or other compensation from the respective product sponsors and/or as a result of effecting securities transactions for clients. Pinnacle Wealth Management and our IARs do not receive 12b-1 fees on advisory assets. Clients should note that they have the right to purchase any investment products through other advisers, insurance companies or broker/dealers.

Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts¹. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

¹ For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Review of Accounts

The underlying securities within the investment supervisory services are regularly monitored. These reviews will be made by each Investment Adviser Representative in addition to the Chief Compliance Officer or his designee. We offer the ability to meet with our clients on a semi-annual basis to review their account. This review is usually conducted in person or by telephone. The number of accounts assigned depends on which IAR has the personal relationship with the client.

The purpose of all these reviews is to ensure that the investment plan continues to be implemented in a manner which matches your objectives and risk tolerances. More frequent reviews may be triggered by material changes in variables such as your individual circumstances, or the market, political or economic environment. You are urged to notify us of any changes in your personal circumstances.

You will receive quarterly statements and confirmation of transactions from the custodian.

Client Referrals & Other Compensation

While as a fiduciary, we endeavor to act in your best interest, our recommendation that you maintain your assets in accounts at one of our recommended custodians may be based in part on the benefit to us or the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

From time to time, we may receive expense reimbursement for travel (hotel, meals, flights) and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made.

IARs endeavor at all times to put the interest of our clients first as a part of their fiduciary duty. However, you should be aware that the receipt of additional compensation through expense reimbursements creates a conflict of interest that may impact the judgment of the IARs when making advisory recommendations.

Soft Dollars

Our firm does not accept products or services that do not qualify for Safe Harbor outlined in Section 28(e) of the Securities Exchange Act of 1934, such as those services that do not aid in investment decision-making or trade execution.

Directed Brokerage

Neither we nor any of our firm's related persons have discretionary authority in making the determination of the brokers with whom orders for the purchase or sale of securities are placed for execution, and the commission rates at which such securities transactions are effected. We routinely recommend that a client directs us to execute through a specified broker-dealer. Our firm recommends the use of LPL. Each client will be required to establish their account(s) with LPL if not already done. Please note that not all advisers have this requirement.

Financial Information

We are not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities, except for our authorization to directly deduct fees as disclosed in item 4
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

We have never been the subject of a bankruptcy proceeding.