

# **PINNACLE WEALTH MANAGEMENT GROUP, INC.**

## **FIRM BROCHURE (ADV PART 2A)**

**MARCH 8, 2019**

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This brochure provides information about the qualifications and business practices of Pinnacle Wealth Management Group, Inc. If you have any questions about the contents of this brochure, please contact Pinnacle Wealth Management Group, Inc. at (734) 667-5581. 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.

Pinnacle Wealth Management Group, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Pinnacle Wealth Management Group, Inc. is available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for the Adviser is 2763334 and the CRD number for the Firm is 281935.

## **2. MATERIAL CHANGES**

Since our last annual amendment filing on March 30, 2018, we have made the following material changes:

- Item 5 has been revised to update the fee billing process for our Portfolio Management and Asset Monitoring services and to amend the fees for our Platinum Program Services.
- Item 12 has been revised to describe the additional services and research we receive from our custodian.

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#### **4. ADVISORY BUSINESS**

##### OWNERSHIP/ADVISORY HISTORY

Pinnacle Wealth Management Group, Inc. (“We”) is a Michigan Subchapter S Corporation. It was subsequently registered as a Michigan investment adviser in 2016. Daniel A. Cesta (“Mr. Cesta”) and Eddison C. Millington, II (“Mr. Millington”) are the owners of the firm. Additional information about Mr. Cesta and Mr. Millington can be found under Item 19.

##### ADVISORY SERVICES OFFERED

Pinnacle Wealth Management Group, Inc. provides personalized investment management services, generally on a discretionary basis. Before we enter into an advisor-client relationship, we may offer a complimentary general consultation to determine a prospective client’s needs and discuss services available that meet those needs. Only after a prospective client has had time to review our solutions/services can they determine whether a relationship might benefit them.

Investment advisory services begin only after we and the client formalize the relationship with a properly executed agreement.

Our advisory role. At the outset of each client relationship, Pinnacle Wealth Management Group, Inc. evaluates each client’s financial circumstances. We employ a comprehensive process that involves a thorough understanding of the client’s needs and objectives.

##### FINANCIAL PLANNING

We offer clients financial planning services to evaluate their financial situations, goals, including risk tolerance, and time horizon. Through a series of personal interviews and the use of questionnaires, the firm will collect pertinent data; identify goals, objectives, financial problems, and potential solutions. We will prepare and present specific recommendations and implement those recommendations, as agreed upon with the client. As a result of these actions, our advice may be provided on financial and cash management, risk management, estate planning, tax issues, retirement planning, educational funding, goal setting, or other needs as identified by the client and the firm. We may offer comprehensive planning services or the client may desire advice on certain planning components; the firm can tailor services as desired by the client. At the conclusion of the financial planning service, the firm will present the client with a written financial plan.

##### PORTFOLIO MANAGEMENT

We offer ongoing portfolio management services in a wrap fee program. The following is a summary of the program. For additional details please refer to our Appendix 1 – Wrap Fee Brochure. Our portfolio management services are based on the individual goals, objectives, time horizon, and risk tolerance of each client. At the outset of each relationship, we evaluate a client’s current investments with respect to their financial circumstances, risk tolerance levels and time horizon. With this information we create a customized portfolio. Our investment goal is to generate a personalized rate of return that moves the client towards their stated objectives. As you move through life’s stages, your needs, priorities, and economic environment will change and so too should your investment strategy. We will request discretionary authority from a client

in order to select securities and execute transactions without permission from the client prior to each transaction. Pinnacle Wealth Management Group, Inc. bases its investment recommendations on a variety of factors including, but not limited to, performance risk, fees, tax efficiency of different investment strategies, as well as, client input and preferences regarding the strategies.

During the initial review stage, which is the basis for developing an investment strategy and a wealth management plan, if desired, we set up several meetings between the relationship manager and client, and assess the following as part of the review:

- Return goals and expectations;
- Risk tolerance;
- Time horizon;
- Market outlook;
- Future planning needs.

The client's needs and objectives are documented in our client relationship management system. Clients may impose restrictions on investing in certain securities or types of securities.

Based on the results of client discussions and the information provided by the client, we document the agreed upon investment strategy.

In general, for some client accounts, Pinnacle Wealth Management Group, Inc. constructs client portfolios in accordance with our model strategies: Conservative, Balanced, Growth, or Income. Client portfolios are managed in accordance with the model strategy most appropriate to the client's risk profile. All the model strategies include some combination of equities, bonds, mutual funds, ETFs, alternative investments, and may potentially include other investment products. For other clients of Pinnacle Wealth Management Group, Inc., customized portfolios are utilized based upon the client's needs and individual circumstances.

#### PLATINUM PROGRAM

For qualifying clients, we offer a platinum program that consists of family office services, which are designed to help clients organize their financial situations and plan for the successful transfer of wealth to the next generation in the most tax-advantageous manner. These services generally include financial planning in the following areas:

Family Continuity, Estate Planning and Philanthropy – We coordinate estate and transfer planning, including trust preparation services, with outside attorneys and other professional advisors. Areas we address may include wealth preservation and distribution strategies, succession and philanthropic considerations, and entity administration and foundation management. As the client's legal needs change, we coordinate ongoing meetings with the attorneys as needed. We annually review the client's estate plan with the client. The attorneys' fees are directly billed to and paid by Pinnacle Wealth Management Group, Inc. The client is not invoiced by the attorney.

Ongoing Integrated Tax Assistance – Annually, we coordinate income tax planning and preparation with outside accountants. Additionally, we work with the accountants on a year around basis so they understand the client’s financial situation and goals. We assist with the preparation of any quarterly estimated taxes that may be due by the client. The accountants’ fees are directly billed to and paid by Pinnacle Wealth Management Group, Inc. The client is not invoiced by the accountant for this service.

Business Consulting Services – We provide family business advisory consulting. This service may include annually coordinating the business tax returns along with annual reviews of income statements and balance sheets to look for savings and efficiencies. We also assist in structuring the transfer of the business from one generation to the next.

Ongoing Financial Planning – Our firm provides broad-based financial planning designed to assist clients in developing a strategy for the successful management of income, assets and liabilities in meeting their financial goals and objectives. Areas addressed may include liability management, retirement planning, transactional planning and structure, tax minimization, and tax return preparation and representation. We meet with clients up to four times per year to review and update their financial plans.

Cash Management, Record Keeping and Financial Reporting – Our firm may assist clients with the management of their financial affairs by providing cash flow planning and projections, document management, and ongoing bookkeeping services. We may also provide advice on debt structure and analysis.

#### ASSET MONITORING SERVICE

We offer an ongoing monitoring service for those assets held away from our management. These assets may include the client’s employer-sponsored retirement plan and/or the client’s investments held in personal brokerage accounts. For employer-sponsored retirement plans, Adviser will review employer-sponsored plan’s available investment options and make an asset allocation recommendation to the client. Similarly, for personal assets held away, Adviser will review the assets and propose an asset allocation.

#### TAILORED SERVICES

We tailor all our services to the client’s stated goals, needs and objectives. For our portfolio management service clients, we allow them to impose restrictions on investment in certain securities or types of securities. All restrictions must be presented to us in writing.

#### WRAP PROGRAM

We offer our portfolio management and platinum program services through a wrap fee program. Our wrap fee accounts are managed on an individualized basis according to the client’s investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap accounts. Additional information about our model portfolios as a wrap program can be found in our Appendix 1 to the ADV Part 2A (i.e. Wrap Fee Program Brochure).

## CLIENT ASSETS MANAGED

As of December 31, 2018, we manage \$107,451,634 in client assets on a discretionary basis.

## **5. FEES AND COMPENSATION**

### FINANCIAL PLANNING

Typically, our financial planning services are included with our portfolio management services. However, when a client would like financial planning without our investment management services we will charge either a fixed or hourly fee basis in accordance with the following fee schedule:

**Fixed Fee:** The fixed fees range between \$2,000 and \$5,000. The fixed fee range varies and depends upon the nature and complexity of each client's individual circumstances. Each client's Financial Planning Agreement shows what the client will be charged to complete the Scope of Services as defined in the Agreement. The fixed fee rate is negotiable.

**Hourly Fee:** We assess an hourly rate that ranges from \$150 to \$300 an hour for financial planning services with a minimum of two hours per engagement. The exact fee is dependent on the staff member working on the financial plan. The number of hours will vary depending upon the complexity of the financial situation and the estimate of hours involved, including preparation and research. Staff involved areas are specified and estimated in the written agreement for services. The hourly fee can be negotiated with the client.

All fees for planning services are agreed upon in advance in writing with one-half the fee due upon engagement and the remaining half due upon delivery of the service or plan. We reserve the right to refund or waive our financial planning fees for clients who use our portfolio management. The fees may be paid by check.

### Termination of Financial Planning Services

The client may cancel the financial planning agreement for any reason during the first five (5) business days from the date of signing the agreement and will receive a refund of 100% of all fees paid without cost or penalty. After the first five (5) business days, written termination will result in a pro-rated refund of any prepaid and unearned fees. For fixed fee financial planning services, a pro-rated refund will be based upon a percentage of work completed. For example, if 25% of a \$2,000 fixed fee plan had been completed, the client will receive a \$500 refund. (\$1,000 or one-half of the \$2,000 collected up front.) For hourly financial planning engagements, the client will receive a pro-rated refund based on the number of hours completed. For example, if a negotiate hourly fee plan was to \$1,050 (One hour for support staff at \$150 and three hours for an investment adviser representative at \$300) and the one hour of the support staff service was completed with none for the IAR, the client will receive a \$375 refund. (\$525 or one half of \$1,050 collected upfront minus \$150 equals \$375.) To cancel the agreement, the client must notify the firm in writing to Pinnacle Wealth Management Group, Inc., 849 Penniman, Suite 201, Plymouth, MI 48170 and return any materials received to that date.

#### PORTFOLIO MANAGEMENT SERVICES/ASSET MONITORING SERVICE

Fees for accounts are calculated and billed quarterly in advance using the annualized rates below.

<b>Custodian Reported Value of Account</b>	<b>Management Fee</b>
\$500,000 to \$749,999	1.50%
\$750,000 to \$999,999	1.25%
\$1,000,000 to \$1,999,999	1.00%
\$2,000,000 and \$2,999,999	0.90%
\$3,000,000 and \$3,999,999	0.80%
\$4,000,000 and \$4,999,999	0.75%
Above \$5,000,000	Negotiable

The pro-rated first quarter's management fee will be calculated on the account's average account balance for the period as reported by the account's custodian. Thereafter, the management fee will be calculated on the account's previous quarter-end value adjusted for weighted cash flows (monies added or withdrawn for the account), as reported by the account's custodian. The fees are negotiable.

For portfolio management service clients, the fee will be directly deducted from the client's account (see Item 15 for additional details). For asset monitoring service clients, the client will be able to choose to have the fee billed directly to the client (payable by check) or have the fee withdrawn from an account managed by us.

Our fees include brokerage commissions, transaction fees, and other related costs and expenses that are normally incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees and, in some cases, distribution or service fees, known as a "12b-1" fee, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and, in addition to, our fee and we do not receive any portion of these commissions, fees, and costs. For more information about our brokerage practice please see Item 12.

#### Termination of Portfolio Management Services

A client may terminate the Investment Management Agreement for any reason at any time and, within the first five (5) business days after signing the contract, without any cost or penalty. Thereafter, the contract may be terminated at any time by giving seven (7) days written notice. To cancel the Agreement, the client must notify the firm in writing to Pinnacle Wealth Management Group, Inc., 849 Penniman, Suite 201, Plymouth, MI 48170 and return any materials received to that date. Because we charge in advance, any client that terminates his or her contract within a quarter will receive a prorated refund of fees that is based on the amount of time elapsed during the quarter. For example, if a client cancels on 45 days in to a 90-day quarter, the client will receive a refund of 50% of the fees. (45 days divided by 90 days equal 50



percent.) Please note the prorated refund may be adjusted for additional deposits and withdrawals to the advisory account within the termination quarter. If permitted by the client's custodian, the refund will be deposited into the client's account; otherwise the refund will be paid to the client by company check directly to the client within 30 days of termination notice receipt.

#### PLATINUM PROGRAM

Fees for the family office service range from 0.25% to 1.00%. This fee is in addition to the portfolio management fee listed in Item 5. The fee is negotiable based on the number of assets we manage for the client, as well as, the complexity and level of services required. The fee is collected at the beginning of each calendar quarter. The fee is based upon the previous quarter's end value adjusted for weighted cash flows, as reported by the account's custodian. The initial quarter's fee will be prorated for the number of days in the quarter, based on the account's adjusted weighted cash flows. (For example, if client engages us 45 days into a 90-day quarter, the client will be charged for only 45 days.) With both billing arrangements, the client will be asked to authorize us with the ability to withdraw the fee directly from the client's account.

A client may terminate the Investment Management Agreement for any reason at any time and, within the first five (5) business days after signing the contract and receive a 100% refund of any fees paid without any cost or penalty. Thereafter, the Agreement may be terminated at any time by giving seven (7) days written notice. The written notice of termination must be sent to Pinnacle Wealth Management Group, Inc., 849 Penniman, Suite 201, Plymouth, MI 48170. Because our fee is charged in advance, the client will receive a prorated refund of unearned fees during the termination month or quarter. For example, if a client terminates an account 10 days into a 30-day month, the client will receive a refund of 67% of the fees charged at the beginning of the month. ( $10/30 = 33\%$ ;  $100\% - 33\% = 67\%$  refund). If a client terminates an account 30 days into a 90-day quarter, the client will receive a refund of 67% of the fees charged at the beginning of the month. ( $30/90 = 33\%$ ;  $100\% - 33\% = 67\%$  refund.) If permitted by the client's custodian the refund will be deposited into the client's account; otherwise the refund will be paid to the client by company check directly to the client within 30 days of termination notice receipt.

#### OTHER SECURITIES COMPENSATION

Our associates are registered representatives of Private Client Services, member FINRA/SIPC. Through Private Client Services they may sell securities to our clients for a commission. This causes a conflict of interest because the commission from Private Client Services is separate from the fees outlined above. We attempt to mitigate this conflict of interest to the best of our ability by placing the client's interest ahead of our own through our fiduciary duty. Additionally, it is our policy that recommended securities purchases do not have to be purchased through our associates.

### **6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or perform side-by-side management.

## **7. TYPES OF CLIENTS**

We offer our services to individuals, high net worth individuals, and corporations or other business entities. We generally require a minimum account size of \$500,000, but we may waive this at our discretion. We require a minimum of \$1,000,000 in assets under management for our family office services. This requirement is generally non-negotiable.

## **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

When we create a client's portfolio we begin with asset allocation. Once the portfolio is created, we manage it using tactical asset allocation. Investment strategies used by Pinnacle Wealth Management Group, Inc. are implemented to satisfy the intermediate and long-term goals of the individual client. Investment recommendations are made with intermediate and long-term investment horizons.

Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon among various asset classes. The asset classes typically include equities, fixed-income, alternative investments, and cash and equivalents. Each class has different levels of risk and return, so each will behave differently over time. Any asset allocation advice provided by Pinnacle Wealth Management Group, Inc. is based on a number of factors, including the client's investment objectives, risk tolerances, asset class preferences, time horizons, liquidity needs, expected returns and an assessment of current economic and market views expressed by economists, analysts, banks and securities firms.

Tactical asset allocation is an active management portfolio strategy that rebalances the percentage of assets held in various categories in order to take advantage of market pricing anomalies or strong market sectors. This strategy is designed to allow portfolio managers to create extra value by taking advantage of certain situations in the marketplace. It is a moderately active strategy because portfolio managers return to the portfolio's original strategic asset mix when desired short-term profits are achieved.

Our analysis of securities and advice relating thereto may be based upon information obtained from financial newspapers and magazines, research materials prepared by others, corporate ratings services, and annual reports, prospectuses and filings made with the Securities and Exchange Commission. We may also utilize computer models for performance analysis, asset allocation and risk management.

### **RECOMMENDED SECURITIES AND INVESTMENT RISKS**

We use several types of securities in our clients' accounts. These securities may include, but are not limited to, the following: bonds and other corporate debt instruments; exchange traded funds (ETFs); mutual funds; government debt instruments, including treasury bills and municipal securities; stocks; preferred stocks; high-yield debt; domestic fixed income; options; traded and

non-traded real estate investment trusts; limited partnerships; managed futures; money market funds and cash.

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear**. Our investment approach continually keeps the risk of loss in mind. While we use investment strategies that are designed to provide appropriate investment diversification, some investments have significantly greater risks than others. Obtaining higher rates-of-return on investments entails accepting higher levels of risk. Recommended investment strategies seek to balance risks and rewards to achieve investment objectives. If a client has questions about risks he/she does not understand, we would be pleased to discuss them.

We strive to render our best judgment on behalf of our clients. Still, we cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser, but is not a reliable predictor of future performance. We continuously strive to provide outstanding long-term investment performance, but many economic and market variables beyond our control can affect the performance of an investment portfolio.

An investment could lose money over short or even long periods. A client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. A client's account performance could be hurt by:

- **Credit risk:** This is the risk that an issuer of a bond could suffer an adverse change in financial condition that results in a payment default, security downgrade, or inability to meet a financial obligation.
- **Inflation risk:** This is the risk that inflation will undermine the performance of an investment and/or the future purchasing power of a client's assets.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates.
- **International investing risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign investments are subject to settlement practices, as well as regulatory and financial reporting standards, that differ from those of the U.S.
- **Leverage risk:** Using derivatives to increase the fund's combined long and short exposure creates leverage, which can magnify the fund's potential for gain or loss and, therefore, amplify the effects of market volatility on the fund's share price.
- **Liquidity risk:** One common risk associated with private placements and REITs is a relative lack of liquidity due to the highly customized nature of the investment.

Moreover, the full extent of returns is often not realized until maturity. Because of this, these products tend to be more of a buy-and-hold investment decision rather than a means of getting in and out of a position with speed and efficiency.

- **Manager risk:** The chance that the proportions allocated to the various securities will cause the client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **Options risk:** Like other securities - including stocks, bonds, and mutual funds - options carry no guarantees, and a person must be aware that it is possible to lose all of the principal he or she invests, and sometimes more. As an option holder, a person risks the entire amount of the premium he or she paid. But as an options writer, a person takes on a much higher level of risk. For example, if a person writes an uncovered call, he or she faces unlimited potential loss, since there is no cap on how high a stock price can rise. However, since initial option investments usually require less capital than equivalent stock positions, potential cash losses as an options investor are usually smaller than if someone bought the underlying stock or sold the stock short. The exception to this general rule occurs when an option is used to provide leverage; percentage returns are often high, but it is important to remember that percentage losses can be high as well.
- **Portfolio concentration:** Accounts that are not diversified among a wide range of types of securities, countries or industry sectors may have more volatility and are considered to have more risk than accounts that are invested in a greater number of securities because changes in the value of a single security may have more of a significant effect, either negative or positive. Accordingly, portfolios are subject to more rapid changes in value than would be the case if the client maintained a more diversified portfolio.
- **REIT market risk:** REITs have no control over market and business conditions and are vulnerable to market risk and economic slowdowns. External conditions beyond its control may reduce the value of properties that it acquires, the ability of tenants to pay rent on a timely basis, the amount of rent that can be charged and the ability of borrowers to make loan payments on a timely basis or at all. Cash available for distribution to stockholders can be affected by the tenant's inability to make rents or pay loans.
- **REIT tenant strength risk:** REITs' revenues are highly dependent on lease payments from its properties and interest payments on the loans it makes. Defaults by tenants or borrowers reduce the cash available for repayment of outstanding debt and distribution to investors. If tenants have multiple properties or borrowers have multiple loans, it increases the risk of more than one property or loan going bad if that tenant or borrower defaults. More than one property could become vacant or loans are in default because of the financial failure of one tenant or borrower. Multiple vacancies or defaults can reduce a REIT's cash receipts and funds available for distribution and could decrease the value of the affected properties.

- **REIT qualifying risk:** REITs must be organized and operated and, intend to continue to be organized and to operate, in a manner that will enable them to qualify as a REIT for federal income tax purposes. No assurance can be given that a REIT qualifies or will continue to qualify as a REIT. If a REIT fails to qualify as a REIT, it will be subject to federal income tax at regular corporate rates. If a REIT fails to qualify the funds available for distribution to investors, the distributions would be greatly reduced for each of the years involved.
- **Risks associated with leveraged ETFs:** A leveraged ETF seeks to generate a return that is a multiple (usually 2X or 3X or -2X or -3X) of its benchmark index's performance over a specific, pre-set time period indicated in the fund's prospectus. That time period is also referred to as the "rebalancing period" and is generally only one day, although it could be for a longer time period such as a month. As a result, the returns for these types of ETFs can differ significantly from that of their benchmark index, over periods lasting longer than the rebalancing period because of the compounding of returns. Generally, the longer the security is held, the more likely the returns of the leveraged product will differ from the long-term return of the index. Although potential returns are increased by leveraging, so are the potential losses. Therefore, these securities carry significant risk. As a result, leveraged ETFs are intended only for sophisticated investors with an aggressive tolerance for risk.
- **Risks associated with inverse ETFs:** An inverse ETF attempts to mimic the inverse, or opposite, of its stated benchmark. For example, an inverse S&P 500 ETF would attempt to deliver the opposite of the S&P 500's daily performance, net of fees. These funds, also called "Short ETFs or Bear ETFs" are often an attempt to profit from a downturn in a given market, sector, or index, or to hedge against a potential loss in their portfolio. Although an inverse ETF does not explicitly use leverage to magnify the intended return, they can suffer from the same compounding effects as the leveraged long and leveraged short ETFs. Therefore, these securities carry significant risk. As a result, inverse ETFs are intended only for sophisticated investors with an aggressive tolerance for risk.
- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.

## 9. DISCIPLINARY INFORMATION

As of the date of this brochure, we have not been subject to any disciplinary, legal, or regulatory events related to past or present investment clients. There has been no disciplinary, legal, or regulatory events related to us or any of our management persons.

## 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### BROKER-DEALER AFFILIATIONS

Our associates are registered representatives of Private Client Services. Please see Item 5 for additional details.

#### FUTURES/COMMODITIES FIRM AFFILIATION

We are not affiliated with a futures or commodities broker.

#### OTHER INDUSTRY AFFILIATIONS

Our associates may be independent insurance agents (annuities, life, long-term care and health) and they may recommend these services to clients. This other business activity pays our associates' commissions that are separate from the fees described above. This is a conflict of interest because the commissions give our associates a financial incentive to recommend and sell clients the insurance products. However, our associates attempt to mitigate any conflicts of interest to the best of their ability by placing the clients' interests ahead of their own, through their fiduciary duty and by informing clients that they are never obligated to purchase recommended insurance through them. Associates may only sell insurance in states where they are properly registered.

In addition to a Certified Financial Planner, our owner, Daniel Cesta, is a Certified Public Accountant. However, he is not a practicing accountant and does not provide accounting or tax preparation services other than through the firm's Platinum Program, which services are provided by outside CPAs and attorneys. Please see Item 4.

#### SELECTION AND MONITORING OF THIRD PARTY INVESTMENT ADVISERS

We do not recommend the services of third party investment advisers.

### **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

#### DESCRIPTION

Our Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. We will provide a copy of our Code of Ethics to any client or prospective client upon request.

Our Code of Ethics covers all supervised persons and it describes our high standard of business conduct, and fiduciary duty to our clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

#### MATERIAL INTEREST IN SECURITIES

We do not have a material interest in any securities.

#### INVESTING IN OR RECOMMENDING THE SAME SECURITIES

Our associates may buy or sell for their own accounts the same securities at or about the same time they recommend to or purchase for client accounts. This causes a conflict of interest because they can trade ahead of client trades. We mitigate the conflict of interest in two ways.

First, our Code of Ethics requires employees to: (1) report personal securities transactions on at least a quarterly basis and (2) provide us with a detailed summary of certain holdings (both initially upon commencement of employment and quarterly thereafter) in which such employees have a direct or indirect beneficial interest. The reports are reviewed to ensure our associates do not trade ahead of client accounts. Additionally, we require client transactions be placed ahead of our associates' personal trades or our associates can place personal trades as part of a block trade (Please see Item 12 for details on our block trading practices). The records of all associates' personal and client trading activities are reviewed and made available to regulators to review on the premises.

## **12. BROKERAGE PRACTICES**

### RECOMMENDED BROKERAGE

In our wrap fee program, we participate in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions.

### RESEARCH AND SOFT DOLLAR BENEFITS

We receive some benefits from TD Ameritrade through participation in the Additional Services program. Please see Item 14 for a description of these benefits. Because these soft dollar benefits could be considered to provide a benefit to us that might cause the client to pay more than the lowest available commission without receiving the most benefit, they are considered a conflict of interest in recommending or directing custodial services. This conflict is mitigated because TD Ameritrade provides a fair mix of services to all clients. Additionally, we will always act in the best interest of our clients, including in connection with recommending custodians.

### BROKERAGE FOR CLIENT REFERRALS

We do not receive client referrals or any other incentive from any custodian or broker.

### DIRECTED BROKERAGE

Some clients may direct us to a specific broker-dealer to execute securities transactions for their accounts. When so directed, we may not be able to effectively negotiate lower brokerage commissions or achieve best execution on clients' transactions. This can result in substantially higher fees, charges or dealer concessions in one or more transactions for the clients' account because the Adviser cannot negotiate favorable prices.

### TRADE AGGREGATION

We may aggregate transactions in equity and fixed income securities for a client with other clients to improve the quality of execution. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. We may determine not to aggregate transactions, for example, based on the size

of the trades, the number of client accounts, the timing of the trades, the liquidity of the securities and the discretionary nature of the trades. If we do not aggregate orders, some clients purchasing securities around the same time may receive a less favorable price than other clients. This means that this practice of not aggregating may cost clients more money.

### **13. REVIEW OF ACCOUNTS**

#### **PERIODIC REVIEWS**

Our owners review the general holdings of client accounts at least monthly and more frequently as needed. In addition to these reviews, our owners, or an Associate, meets with clients, either in person or by telephone, at least annually, to discuss and review their accounts.

#### **OTHER REVIEWS**

Additional reviews are conducted periodically depending on market conditions, economic or political events, or by changes in a client's financial situation (such as retirement, termination of employment, physical move or inheritance).

#### **REPORTS**

Clients will receive at least monthly statements from the account custodian or clearing firm, if the account has activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. Such statements will show any activity in the account, as well as period ending position balances.

### **14. CLIENT REFERRALS AND OTHER COMPENSATION**

#### **OTHER COMPENSATION**

We do not pay nor receive compensation for referrals from any custodian or broker. However, we participate in TD Ameritrade's institutional customer program and we may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice it gives to its clients, although we receive economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving our participants; access to block trading (which provides the ability to aggregate securities transactions for executions and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit its client accounts. These products or services may assist us in managing and administering client



accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop its business enterprise. The benefits received by us or its personnel through participation in the program do not depend on the amount of brokerage transactions direct to TD Ameritrade. As part of our fiduciary duties to clients, our endeavors at all times are to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by us or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

#### CLIENT REFERRALS

We may enter into an agreement with other financial services firms or individuals pursuant to which we will pay a portion of our management fee (Item 5) to the financial services firms or individual's solicitation and referral services. In turn, the financial services firms would share a portion of the fees with its investment adviser representatives. Clients obtained through the use of a solicitor or referral service will not pay a different fee (higher or lower) than the fee the client would have been charged if the client had been obtained without their services.

We are aware of the special considerations promulgated pursuant to the Solicitor's Rule 206(4)-3 of the Investment Advisers Act of 1940, and any comparable state regulations. As such, appropriate disclosures shall be made to our clients, all required written records will be maintained, and all applicable laws and regulations will be observed. A Solicitor's Disclosure Document will be provided to each client by the investment adviser representative, as required under the Rule, and we will retain the clients signed acknowledgement of receiving our Form ADV Part 2A and the Solicitors Disclosure Document.

### **15. CUSTODY**

All client funds, securities and accounts are held at third-party custodians. We do not have custody other than to directly deduct our management fee. The client will be asked to authorize us with the ability to deduct fees directly from the client's account. The client may cancel this authorization to deduct our management fee from the Account at any time by notifying us or the client's custodian. Clients should receive at least quarterly statements from the broker/dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge clients to carefully review such statements.

### **16. INVESTMENT DISCRETION**

All portfolio management clients sign an investment management agreement that contains a limited power of attorney granting us discretionary power over the account. In discretionary accounts, we will be allowed to place trades, buy or sell securities of any type and in amounts we deem appropriate for the account, without first obtaining the client's consent to each trade. Directions will be given to the account custodian to complete the transaction.

## **17. VOTING CLIENT SECURITIES**

We will not be responsible for responding to proxies of securities held in clients' accounts. Proxy solicitation materials will be forwarded to clients for response and voting. In the event a client has a question about a proxy solicitation, the client should contact us.

## **18. FINANCIAL INFORMATION**

### **BALANCE SHEET**

We do not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance. Therefore, we do not have to provide a balance sheet.

### **FINANCIAL CONDITION**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to service our clients.

### **BANKRUPTCY**

We have not been the subject of a bankruptcy proceeding.

### **BUSINESS CONTINUITY PLAN**

Pinnacle Wealth Management Group, Inc. has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, and/or services.

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan also covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, internet outage, railway accident and aircraft accident. Electronic files are backed up offsite daily by the firm's outside technology consulting firm.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. Private Client Services and TD Ameritrade may also assist, depending on the type of disaster, with back office and trading assistance for accounts held in custody by them. Private Client Services and TD Ameritrade have their own disaster recovery plans with backup facilities in different parts of the U.S. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location for a period of time.

### **INFORMATION SECURITY PROGRAM**

Pinnacle Wealth Management Group, Inc. maintains an information security program to reduce the risk that clients' personal and confidential information may be breached. Pinnacle Wealth Management Group, Inc. is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from a client may include information about the client's personal finances, information about the client's health to the extent that it is

needed for the financial planning process, information about transactions between the client and third parties, and information from consumer reporting agencies, such as credit reports. We use this information to help clients meet their personal financial goals.

We maintain a secure office environment to ensure that client information is not placed at unreasonable risk. All hard copy client records are maintained in a secure area with limited access. Client records are also stored electronically. We employ a firewall barrier and authentication procedures in our computer environment.

We do not provide clients' personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to a client's personal information, including financial service companies' consultants, and auditors. Federal and state securities regulators may review our Company records and a client's personal records as permitted by law.

Personally identifiable information about a client will be maintained while he or she is a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.