



Part 2A of Form ADV:
The Firm Brochure ("Brochure")

March 29, 2024

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This brochure provides important information about Pinnacle Investments, LLC. ("Pinnacle Investments, Firm, us, our, or we"). You should use this brochure to understand the relationship between you, the Firm and your investment adviser representative ("IAR"). If you have any questions about the contents of this brochure, please contact us at (315) 251-1101 and/or compliance@pinnacleinvestments.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Pinnacle Investments is a registered investment advisor. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Pinnacle Investments, LLC is also available on the SEC's website at www.adviserinfo.sec.gov (select "investment adviser firm" and type in our name).

Current copies of this brochure are available online at:
www.pinnacleinvestments.com/about-pinnacle-investments/disclosures-links

Item 2: Material Changes

There have been no material changes since the last amendment to this brochure on June 5, 2023.

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About the Firm

Established in 1995, Pinnacle Investments is registered as a broker-dealer and investment adviser with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and Securities Investor Protection Corporation ("SIPC").

As of December 31, 2023, Pinnacle Investments had regulatory assets under management of \$964,888,091, of which \$4,976,913 was managed on a non-discretionary basis and \$959,911,178 was managed on a discretionary basis.

Pinnacle Investments 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.

Pinnacle Investments in conjunction with our Investment Adviser Representatives ("Pinnacle IAR") offers the following advisory services: financial planning, portfolio management both on a discretionary and non-discretionary basis, selection of other advisers, wrap fee programs, investment advisory service, and investment advice through consultation not included in aforementioned services. These services are conducted on a case-by-case basis.

Understanding Your Needs

Our advisory programs all begin with an initial meeting designed to better understand your unique needs and objectives. Meetings may be done in a number of ways, including, in person, over the phone, by video conferencing or other electronic means.

The investment programs that we recommend to you are based largely upon the personal information that you provide to us. In order for us to provide appropriate investment advice, or in the case of discretionary accounts, make appropriate investment decisions, it is important that you provide accurate and complete responses to our questions regarding your financial condition, investment objectives and personal circumstances, along with any reasonable investment restrictions that you may wish to place on the management of your account. Investment advisory services are tailored to meet the individual needs of the client.

The Firm offers four managed account platforms as more fully described below:

I. AdvisorPro

We sponsor the AdvisorPro asset management program. In AdvisorPro, you will work with an Investment Adviser Representative ("IAR") to discuss your unique investment goals and objectives. Your IAR will discuss different potential strategies to achieve your goals. Your IAR will also recommend various investment products designed to achieve your stated objectives. Your IAR will manage your investments on a discretionary basis, meaning they can select to purchase and/or sell investments without your prior consent.

IARs may develop specific investment strategies using a mix of analytic methods. Such strategies ordinarily include long-term and short-term securities purchases and, depending on your objectives and the IAR's investment philosophy, supplemental covered option writing in addition to the long positions of calls and/or puts. In special circumstances, the strategies may also include margin transactions, other option strategies and trading or short-sale transactions. Due to any number of factors, including timing of deposits, investment selection process or investment needs, certain clients may receive different execution prices and investment results.

AdvisorPro is available to Pinnacle Investments' clients for accounts custodied at First Clearing or Charles Schwab. IARs are able to establish accounts at either custodian. Pinnacle Investments feels First Clearing and Schwab are similar in cost however each custodian has different transaction costs, and as those costs are paid by you, it may be possible that one custodian may be more or less expensive than another custodian given your particular investment strategy or products being purchased or sold. It is important to understand the differences in cost between each custodian. This information can be found in Item 5, fees and compensation. To help mitigate this risk, we review and approve all accounts prior to being established as well as conduct a review of advisory accounts on a periodic basis. Please refer to Item 13, review of accounts for additional information.

a. Charles Schwab & Co., Inc. (Schwab):

AdvisorPro, mentioned above, is offered to Pinnacle Investments' clients with accounts custodied at Charles Schwab. In addition to the description below, please see the description of AdvisorPro above.

Schwab Advisor Services is Schwab's business serving independent investment advisory firms like ours. They provide the Firm and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis, at no charge to advisors.

Services that Benefit Client

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

Services that May Not Directly Benefit Clients

Schwab also makes available to us other products and services that benefit us but may not directly benefit the client or their account(s). These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab.

In addition to investment research, Schwab also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- assists with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

Irrespective of direct or indirect benefits to our client through Schwab, we strive to enhance the client's experience, help reach their goals and put their interests before that of our firm or its associated persons.

b. First Clearing

AdvisorPro, mentioned above, is offered to Pinnacle Investments' clients with accounts custodied at First Clearing. In addition to the description below, please see the description of AdvisorPro above.

First Clearing is the trade name used by Wells Fargo Clearing Services, LLC, a registered broker-dealer and non-bank affiliate of Wells Fargo & Company.

Services that Benefit the Client

First Clearing services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through First Clearing include some to which we

might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit clients or their account(s).

Services that May Not Directly Benefit Clients

First Clearing also makes available to us other products and services that benefit us but may not directly benefit the client or their account(s). These products and services assist us in managing and administering our clients' accounts. They include investment research, both First Clearing's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at First Clearing.

In addition to investment research, First Clearing also makes available software and other technology that:

- provides access to client account data (such as duplicate trade confirmations and account statements);
 - facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
 - provides pricing and other market data;
 - facilitates payment of our fees from our clients' accounts; and
 - assists with back-office functions, recordkeeping and client reporting.
- Analytical and Portfolio reporting (not available in Schwab)

First Clearing also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants and insurance providers.

First Clearing may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. First Clearing may also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

Irrespective of direct or indirect benefits to our client through First Clearing, we strive to enhance the client's experience, help reach their goals and put their interests before that of our firm or its associated persons.

II. Pinnacle Capital Management

Pinnacle Capital Management, LLC ("PCM") was founded in August 2006 and is a wholly owned subsidiary of Pinnacle Holding Company, LLC. Pinnacle Holding Company, LLC. Is also the parent company of Pinnacle Investments, LLC. PCM is organized as a Delaware limited liability company. Due to both firms being under common control, there is a conflict of interest that exists whenever a PCM program is recommended over other programs. To mitigate this conflict, the Firm's supervisory personnel review all PCM accounts prior to being established to ensure they meet the stated investment objectives and goals of our clients.

PCM provides investment supervisory services and offers advice on:

- equity securities (exchange-listed securities, securities traded over the counter, foreign issuers)
- corporate debt securities
- commercial paper
- certificates of deposit (bank CDs)
- municipal securities
- investment company securities (mutual fund shares)
- hedge funds
- United States government securities
- options contracts on securities
- interests in partnerships investing in real estate
- asset backed securities (ABS) including but not limited to residential real estate mortgage-backed securities (MBSs), collateralized loan obligations (CLOs), commercial mortgage-backed securities (CMBSs), and ABS backed by credit card receivables, auto loans, and equipment leases,
- private placement equity securities and/or debt securities.

PCM offers advisory services and sub-advisory services, where appropriate, to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, investment companies, hedge funds, corporations, insurance companies and other business entities.

PCM provides advice to clients regarding investment of assets based on the individual needs of the client. Client investment objectives, risk tolerances and time horizon are established at the beginning of each client relationship and updated as client needs change. If desired, PCM will assist clients in developing a personal investment policy and create and manage a portfolio based on that policy. PCM will manage advisory accounts on either a discretionary or non-discretionary basis. Account supervision is guided by the stated objectives of each client.

PCM will create a portfolio, or advise on the creation of a portfolio, consisting primarily of individual equities, exchange traded funds, mutual funds, hedge funds, fixed income securities and cash equivalents (e.g., money market funds). PCM will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. The mutual funds, hedge funds and exchange traded funds will be selected based upon any or all of the following criteria: the fund's performance history; the industry or geographic sector in which the fund invests; the track record of the fund's manager; the fund's investment objectives; the fund's management style and philosophy; and the fund's management fee structure. Portfolio weighting between funds and market sectors will be determined by the investment style selected based on each client's individual needs and circumstances.

Clients will have the opportunity to place reasonable restrictions on the types of investments which will be made on the client's behalf. Clients will retain individual ownership of all securities. As appropriate, PCM may engage in margin transactions or option writing for client accounts. As these strategies involve additional risks, they will only be recommended when consistent with the client's stated risk tolerance.

PCM acts as a portfolio manager for the advisory programs discussed below with trades executed through the sponsor of the program. This form of directed brokerage may result in trading costs and execution services that are not as advantageous to the client as when PCM seeks "best execution." PCM receives a portion of the advisory fee for its portfolio management services.

PCM provides portfolio management services in the Pinnacle Investments' AdvisorPro Program. PCM AdvisorPro is an advisory program where Pinnacle Investments, a dually registered firm affiliated with PCM through common ownership and control, acts as adviser. PCM is the sub-adviser responsible for portfolio management services within the program. As part of its portfolio management services, depending on the version of the PCM managed account instruction form, PCM may vote proxies on behalf of participants. PCM is compensated by Pinnacle Investments for providing portfolio management services for clients participating in the PCM AdvisorPro program by receiving a portion of the advisory fee collected from the client. Participants in PCM AdvisorPro are clients of Pinnacle Investments and not advisory clients of PCM. Pinnacle Investments is responsible for assisting clients in understanding the PCM AdvisorPro program in light of the client's investment objectives and financial situation – initially and on an ongoing basis. Pinnacle Investments 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 managed account instruction form subject to written restrictions and does not act in any other capacity.

PCM accounts can be custodied with either First Clearing or Schwab. Refer to section on First Clearing and Schwab above for additional information.

PCM may have different pricing structures for the portfolios that they manage. While the pricing does not directly impact the total advisory fee that you pay, because of the pricing disparity, your IAR may have a conflict in choosing one manager over another due to the different costs. We mitigate this conflict by reviewing all advisory accounts, including manager selection, when the account is opened.

III. Wrap-Fee Programs

The Firm offers a wrap fee program to our current and prospective clients. A wrap fee account is an “all inclusive” account that takes all of the investment advice and transaction costs and bundles them together and you therefore only pay one fee for the management of your account. The Firm receives a portion of the wrap fee charged for our services. Depending on the number of transactions that occur in the account, this structure may be more or less financially beneficial to you. The wrap fee programs are described in a separate Wrap Fee Brochure and will be provided to current and prospective clients.

IV. Financial Planning Services

While there is no statutory definition of financial planning, the Firm has adopted the CFP’s Board definition of financial planning which states: “Financial Planning is an ongoing collaborative process that helps maximize a client’s potential for meeting life goals through Financial Advice that integrates all relevant elements of the Client’s personal and financial circumstances. Pinnacle Investments considers “holistic” Financial Planning to be a separate professional activity from investment advice and portfolio management.” A financial plan aims to provide an overview of a client’s financial well-being. However, a holistic financial plan is tailored to the individual client and their unique needs. While there are common components that may be found in most financial plans, given the uniqueness of each financial plan, some may include more or fewer components. Some of the common elements may include but are not limited to:

- A. Ongoing collaborative process
- B. Management of assets & liabilities
- C. Cash flow management
- D. Risk identification and management
- E. Identify and manage the financial effect of health considerations
- F. Provide for educational needs
- G. Achieve financial security
- H. Preserve and/or increase wealth
- I. Identify tax considerations
- J. Prepare for retirement
- K. Project income during retirement years
- L. Pursue philanthropic interests
- M. Address estate and legacy matters

When creating a financial plan for a client, the Firm and its IARs fulfill our fiduciary responsibilities by putting our clients interest ahead of the Firm and/or IARs.

In creating a financial plan, we will use various third-party software tools. These tools allow us to collect certain information about your goals, needs, and objectives and then to create actionable plans to reach your goals. The Firm only allows third party software tools to be used that have been reviewed and approved by the Firm to be used for Financial Planning clients.

Pinnacle IARs must be approved by the Firm to offer financial planning services prior to engaging in these services with current or prospective clients. The IAR is also required to successfully complete firm sponsored training.

There are two main deliverables in providing financial planning activities: plan delivery and implementation of recommendations.

1. Plan Delivery

The delivery of the financial plan is a crucial step in the financial planning process. Upon entering all key variables of a client’s financial situation, and taking into account your specific goals and objectives, a financial planning document will be provided to the client.

2. Implementation of Financial Plan

The IAR will discuss the contents of the financial plan with you. Part of that discussion will include discussing any assumptions used in the planning process, potential shortfalls that you may experience in reaching your goals, areas of concern, and recommendations to help you achieve your goals and objectives.

Financial Planning Fees – Each financial plan is developed after carefully discussing with you your needs, objectives, and financial goals. Because of the uniqueness of each plan, financial planning fees may range widely. Factors such as scope of services, complexity of financial situation and geographic location all play an important role in determining the financial planning fees. In general, the Firm's financial planning fees will range from \$300 - \$5,000.

Mutual Funds and Exchange-Traded Funds ("ETF") in Advisory Programs

Mutual fund companies typically offer multiple share classes of each of their mutual funds with varying levels of fees and expenses. Mutual funds or share classes offered through our advisory Programs are not necessarily the least expensive. Investing in mutual funds will generally be more expensive than other investment options available in your advisory account, such as ETFs. In addition to the Program fee, you will also bear a proportionate share of each fund's expenses, including investment management fees that are paid to the fund's investment adviser. These expenses are an additional expense to you and not covered by the Program fee; rather, they are embedded in the price of the fund. You should carefully consider these underlying expenses, in addition to the Program fees, when considering any advisory Program and the total compensation we receive. Other funds and share classes may have different charges, fees, and expenses, which may be lower than the charges, fees, and expenses of the funds and share classes made available in the Program. An investor who holds a less expensive share class of a fund will pay lower fees over time – and may earn higher investment returns - than an investor who holds a more expensive share class of the same fund. In accounts held at First Clearing, Pinnacle Investments credits 12b-1 fee payments received back to all Pinnacle Investment AdvisorPro accounts. 12b-1 fees received by Pinnacle Investments will be credited back to client accounts within 95 days unless the position is excluded from advisory billing.

Item 5: Fees and Compensation

All of the program accounts described in this brochure, with the exception of Financial Planning, are charged a fee on eligible assets that covers advisory services. Financial Planning can be charged either a fee based on eligible assets or a flat fee per plan. This is covered in the Financial Planning Agreement. Exceptions to the stated minimum opening balances are reviewed on a case-by-case basis.

Fee Schedules for each program are set forth as follows:

I. AdvisorPro Fee Schedule

Initial Account Opening Balance:

AdvisorPro generally has a minimum account opening balance of \$10,000.

AdvisorPro accounts managed by PCM generally have a minimum account opening balance of \$100,000.

Advisory Fee Charge

AdvisorPro accounts are charged an advisory fee of 3.00% annualized. This rate may be negotiated based on IAR, account size, investment complexity, use of PCM as sub-advisor and level of service required.

Billing Methodology

Fees payable by advisory clients are in advance. Fees will be invoiced at the beginning of each Billing Period based upon the value (market value or fair market value in the absence of market value) of the Advisory account(s) at the end of the previous Billing Period or average daily balance of the prior Billing Period for clients whose payable agreement specifies that calculation. Billing Periods normally span 3-months but may alternately be monthly. Client authorizes the account custodian ("Custodian") to pay the fees directly to Pinnacle Investments. To pay any fees incurred, funds will be deducted from the account and if necessary, by liquidating holdings in the following order: cash positions; money market funds or current liquid securities positions. Fees are deducted directly from the advisory account(s), but if specified in writing, may be deducted from a different non-retirement account, including non-advisory accounts. If requested in writing, fees may also be billed and paid by check if within 10 days of invoice date, otherwise fee will be deducted from the advisory account. The initial fee payable when an account is opened will be based on the month-ending account value once the account is considered fully funded. Should this Agreement be accepted on a date other than the first day of the Bill Period, Client's asset-management fee will be calculated on a pro-rata basis for that period.

Additional Fees

The client may be responsible for additional costs including, but not limited to, transaction, ACAT and custodial fees. For First Clearing custodied accounts there is currently \$5.00 charged on each transaction for postage and handling related to the generation of trade confirmations and periodic account statements. Trades at First Clearing are also charged \$20.00 for execution and clearing although this may be negotiated based on account size, investment complexity and level of service required. 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. Please refer to the sections below for First Clearing and Schwab for specific costs related to each custodian.

Termination of Account / Fee Refunds

If a client terminates their advisory relationship with Pinnacle Investments before the end of the quarter, a pro-rated refund of advisory fees will be made to the client less reasonable start-up costs including transaction costs.

AdvisorPro is available to Pinnacle Investments' clients for accounts custodied by First Clearing and Charles Schwab.

Charles Schwab & Co., Inc. (Schwab) Platform

Schwab has eliminated commissions for online trades of equities, ETFs and options (subject to a per contract fee). This means that when we buy and sell these types of securities, the client will not have to pay any commissions to Schwab. Should a transaction fee be charged on a different type of product Pinnacle Investments does not share in the revenue from that charge. To see what you would pay for transactions in a non-wrap account please refer to Schwab's most recent pricing schedules available at [schwab.com/aspricingguide](https://www.schwab.com/aspricingguide).

First Clearing

As mentioned above trades executed at First Clearing may be subject to a ticket charge of \$20 and postage fee of \$5. These fees are separate and in addition to Pinnacle Investment's annual asset management fee. The fee schedule was negotiated between First Clearing and Pinnacle Investments and likely differs from the schedule of another investment advisor firm.

Brokerage arrangements are further described below in *Item 12 Brokerage Practices*.

First Clearing pays additional compensation to Pinnacle Investments based on new AUM attributed to the addition of a new IAR to the platform. This compensation is not shared with any IAR of Pinnacle Investments. This can create a conflict of interest to have new IAR's clients open accounts with First Clearing and is mitigated by the new account approval process.

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

Performance-Based Fees

Neither Pinnacle Investments nor any of its Supervised Persons or employees accepts performance-based fees (fees based on a share of capital gains or on a capital appreciation of the assets of a client).

Side-by-side management

Pinnacle Investments does not engage in side-by-side management, which refers to the practice in which a management firm simultaneously manages multiple products, such as mutual funds, hedge funds, separately managed accounts, and so forth.

Item 7: Account Requirements and Types of Clients

Account Requirements

The minimum initial account values for the Programs in this document are listed below. Under certain

circumstances, the minimum account size may be waived. You should refer to the chart below, as appropriate, to determine the minimum account size requirements.

Program Name	Minimum Account Size
AdvisorPro – First Clearing, Schwab	\$10,000 may be waived
Pinnacle Capital Management	\$100,000 may be waived
Financial Planning	No Minimum

Types of Clients

Pinnacle Investments may provide the advisory services described in this brochure to individuals, pension or profit-sharing plans, trusts, estates or charitable organizations, corporations or other business entities, governmental entities and educational institutions, as well as banks or thrift institutions.

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

Method of Analysis

Pinnacle's IAR or portfolio manager may use a fundamental and/or technical approach for their approach to securities analysis. They may also utilize charting and cyclical analyses.

Pinnacle's IAR may use one or more of the following sources of information: financial publications, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases.

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

- Long-term purchases (securities held at least a year from date of purchase)
- Short-term purchases (securities sold within a year of purchase date)
- Trading (securities sold within 30 days of purchase)
- Short sales
- Margin transactions
- Option writing, including covered options, long positions of calls and/or puts, uncovered options or spread strategies

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Investors face the following types of risks:

Market Risk

The price of a security, bond, or mutual fund may drop (or rise in the case of shorted investments) 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.

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.

Investment Adviser Risk

Financial Advisor's ability to choose suitable investments has a significant impact on the ability of the Strategies to meet their investment objectives.

Asset Allocation Risk

Financial Advisor's allocations between equity and debt securities could cause accounts to underperform relative to benchmarks and other accounts with similar investment objectives.

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.

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 income from a steady stream of customers who buy electricity no matter what the economic environment is like.

Financial Risk

Excessive borrowing to finance a business' operations increases the risk to profitability, because the company must then 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.

Margin Risk

The use of margin is not suitable for all investors since it increases leverage in your Account and therefore risk.

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 9: Disciplinary Information

In 2015, Pinnacle Investments, without admitting or denying the findings, consented to the censure and fine in the amount of \$12,500 due to the findings that it failed to preserve all business-related communication sent or received by a registered rep and his assistant who were using outside email accounts.

In 2023 Pinnacle Investments, without admitting or denying the findings, consented to the censure, fine in the amount of \$393,381, disgorgement of \$83,462 and prejudgment interest of \$11,874. This was due to findings that Pinnacle made false and misleading statements in its Forms ADV part 2A regarding reviews of advisory client accounts, failed to adequately disclose its conflict of interest with the outside business activities and related compensation arrangements of an Investment Adviser Representative, failed to adopt and implement policies and procedures reasonably designed to prevent violations of the Advisers Act and the rules thereunder concerning reviews of client accounts and conflicts of interest and failed to deliver to clients information about advisory personnel as required in Form ADV Part 2B.

Item 10: Other Financial Industry Activities and Affiliations

Pinnacle Investments is registered as a securities broker-dealer with the Financial Industry Regulatory Authority (FINRA). It also has arrangements that are material to its advisory business or clients with a related person who is an investment company 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 and 2) Pinnacle Capital Management, LLC. Pinnacle Investments is not formally affiliated with Pinnacle Advisors, LLC., however there is some common ownership. Pinnacle Advisors, LLC is an SEC-registered investment adviser. The advisory services provided by Pinnacle Advisors, LLC are separate and distinct from the advisory services provided by Pinnacle Investments or any other subsidiary of Pinnacle Holding Company, LLC.

Pinnacle Capital Management, LLC

Pinnacle Capital Management, LLC is an 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. PCM also manages a mutual fund, the 1789 fund, of which Pinnacle Investments is a distributor and offers this product to their clients.

PCM also has representatives focused on 403(b) retirement plans for educators and employees of schools, hospitals and not-for-profit (501c) organizations. PCM representatives may offer Plan Sponsors with customized investment advisory services, diversified investment menus, consulting and reporting, and participant educational programs.

Pinnacle Investments' relationship with Pinnacle Capital Management creates a conflict as some IARs of Pinnacle Investments are also owners of Pinnacle Holding Company, LLC. As Pinnacle Capital Management is also owed by Pinnacle Holding Company, LLC there may be an incentive for IARs to recommend PCM's products and services to their clients in order for Pinnacle Holding Company, LLC to be more profitable. This conflict is mitigated through account opening processes as well as annual reviews of advisory accounts. There is no additional direct compensation for IARs to recommend PCM products and services.

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

Code of Ethics

All Pinnacle Investments' employees, registered representatives and IARs must comply with a Code of Ethics and Insider Trading Policy. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The Code describes Pinnacle Investments' high standard of business conduct, and its fiduciary duty to its clients.

The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

Compliance personnel or Designated Supervisors review a sample of employee trades each quarter. These reviews ensure that personal trading does not affect the markets and that clients of Pinnacle Investments receive preferential treatment.

Pinnacle Investments' employees must acknowledge the terms of the Code when hired and at least annually thereafter. Any individual not in compliance with the Code may be subject to discipline.

Clients and prospective clients can obtain a copy of Pinnacle Investments' Code of Ethics by contacting Monica Coles at (315) 295-3806 or mcoles@pinnacle-llc.com.

Conflicts of Interest:

Pinnacle Investments is both an SEC registered investment adviser and a registered broker-dealer. As such it is able to act in an advisory capacity and manage accounts as well as act in a brokerage capacity and maintain brokerage accounts. A material conflict of interest may arise when a brokerage account converts to an advisory account where Investment Adviser Representatives ("IARs") place clients in asset-based fee accounts versus transaction-based fee accounts. The same conflict may arise when an advisory account converts to a brokerage account where IARs place clients in transaction-based accounts versus asset-based fee accounts. Pinnacle Investments addresses these potential conflicts of interest through the use of internal policies and controls that require the designated supervisor to review client information prior to converting a brokerage account to an advisory account or an advisory account to a brokerage account.

There is a potential conflict that arises when representatives of Pinnacle Investments who are individual shareholders of Pinnacle Holding Co., LLC, invest client assets in PCM programs because as an affiliate, the profitability of PCM could impact shareholder value. We feel this conflict is minimized in that representatives of Pinnacle Investments must ensure that any PCM products are in the best interest of the client.

Pinnacle Investments, when acting as a broker-dealer, provides recommendations subject to Regulation Best Interest. When we provide you with a recommendation, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the services we provide. Here are some examples to help you understand what this means:

Employee vs. Client Conflicts:

The compensation arrangements or incentives for the firm or its employees could affect whether employees recommend or offer a particular security or transaction to a client.

Outside Business Activities:

If your broker or adviser engages in an outside business activity, it can cause the appearance of a conflict. Typically, this may occur if the broker or advisor engages in an outside business activity relating to a stock offering and the employer for the outside business activity tries to have the broker or adviser recommend or sell certain investments.

Solicitation Fees:

The Firm's IARs may collect cash referral or solicitor fees for referring business Pinnacle Employee Services ("PES"), an entity under common ownership with Pinnacle Investments. This creates a conflict as the IAR has an incentive to refer business to PES.

Dual Registration – Investment Advisor/ Broker Capacity

Pinnacle Investments is both an SEC registered investment adviser and a registered broker-dealer. As such it is able to act in an advisory capacity and have managed accounts as well as act in a brokerage capacity and maintain brokerage accounts. It is important that the broker or adviser is clear on that role when engaging with a client.

A material conflict of interest may arise when a brokerage account converts to an advisory account where representatives recommend clients in asset-based fee accounts versus transaction-based fee accounts. The same conflict may arise when an advisory account converts to a brokerage account where representatives place clients in transaction-based accounts versus asset-based fee accounts. This conflict exists in part due to the IAR and/or Pinnacle Investments' ability to generate more income depending on the account type selected. This conflict does not apply to brokerage commissions charged on advisory accounts as those are charged by the custodian.

Pinnacle Investments addresses this potential conflict of interest through the use of an internal policy that requires that a Pinnacle representative fill in a form with pertinent information when a brokerage account converts to an advisory account or, vice versa, when an advisory account converts to a brokerage account. The information pertains directly to the reasoning for the transfer of the account and requires the signature of the designated supervisor.

As a dually registered RIA and broker-dealer, the Firm receives revenue from both commissions as well as advisory fees. The Firm may sell you a product in which a commission is charged and then place those assets in an advisory account to provide ongoing investment management. The advisory account will

charge an asset based fee. Because the firm may earn both a commission and then, subsequently, fees on the same assets, this creates a conflict of interest for the Firm. The firm mitigates this conflict by reviewing assets that are placed in the advisory account for any commissions that may have been earned to determine whether or not the asset is appropriate for the advisory account.

Brokerage Transaction:

Pinnacle Investments is required to provide clients with the best execution possible for their transactions. An appearance of a conflict of interest may occur if a broker-dealer or investment adviser directs transactions to a certain market center that may not provide clients the best possible execution price on their transactions. Placing client assets with First Clearing may pay an additional fee to Pinnacle Investments for assets coming on to their platform when they are from an IAR new to Pinnacle.

a. Front Running:

Front Running is not only a conflict of interest but also a prohibited act. This situation results when a broker or advisor takes advantage of non-public information about a large block trade and purchases or sells the securities in his or her own account ahead of the block execution.

b. **When we act as your investment adviser**, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you.

b. **When we provide a recommendation as your broker-dealer or act as an investment adviser**, we have to act in your best interest and not put ours ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you.

d. When your accounts are charged inactivity fees – we have a fiduciary responsibility to act in your best interest. Your custodial firm may charge an inactivity fee if there is little to no trading activity within your account. The inactivity fee is charged directly to your account and will result in a decrease in the overall account performance. However, depending on market volatility and other factors, we may choose to limit the amount of trading in your account if we feel it is in line with achieving your stated objectives and goals. To mitigate this conflict, the firm reviews advisory transactions to determine whether the account is being managed according to your wishes.

Rollovers:

If a client is a participant in an employer-sponsored plan such as a 401(k) plan and decides to roll assets out of the plan into the account, Pinnacle Investments and the IAR have a financial incentive to recommend that the client invest those assets in the account, because Pinnacle Investments will be paid on those assets, for example, through advisory fees. You should be aware that such fees likely will be higher than those a participant pays through an employer-sponsored plan, and there can be maintenance and other miscellaneous fees. As securities held in an employer-sponsored plan are generally not transferrable to the account, commissions and sales charges will be charged when liquidating such securities prior to the transfer, in addition to commissions and sales charges previously paid on transactions in the plan. Pinnacle Investment's general policy prohibiting its IARs from recommending clients roll out an employer-sponsored retirement plan into a Pinnacle Investments IRA, though IARs may assist by educating clients on their options as well as various pros and cons of initiating a roll out of an employer-sponsored plan and may recommend how IRA assets be invested after the client has determined to roll out of the employer-sponsored plan. When Pinnacle Investments or an IAR recommends that a client move assets from a Pinnacle Investments brokerage account or an IRA held at another financial institution into a program account, he or she is required to consider, based on the information client provides, whether client will be giving up certain investment-related benefits at the other financial institution, such as the effects of breakpoints or rights of accumulation, and has determined that the recommendation is in client's best interest because (1) greater services and/or other benefits (including discretionary management, asset consolidation, trust services, and advice and planning, automatic account rebalancing) can be achieved with the Account; and (2) the asset based fees and transaction charges are justified by these services and features.

Examples of Ways the Firm Makes Money and Conflicts of Interest:

- a. Proprietary Products: Investments that are issued, sponsored or managed by Pinnacle Investments or our affiliates.

1789 Growth and Income Fund

The 1789 Growth and Income Fund is a 40 Act Mutual Fund that seeks income and growth of capital by investing primarily in stocks with high and growing dividends. Pinnacle Investments is the distributor for the Fund and Pinnacle Investments' affiliate PCM is the Advisor to the Fund.

- b. Third-Party Payments: We do not receive third party payments when we recommend or sell certain investments.
- c. Revenue Sharing: We do not receive revenue sharing from managers or sponsors of specific investments.
- d. Principal Trading: Investments Pinnacle Investments buys from a retail investor and/or investments Pinnacle Investments sells to a retail investor, for or from our own accounts, respectively.

Participation or Interest in Client Transactions and Personal Trading

Individuals associated with Pinnacle Investments may buy or sell securities for their personal accounts identical to or different than those recommended to clients. It is the expressed policy of Pinnacle Investments that no person employed by Pinnacle Investments shall prefer his or her own interest to that of an advisory or sub-advisory client or make personal investment decisions based on advisory client's investment decisions. To supervise compliance with its Code of Ethics, Pinnacle Investments requires that anyone associated with advisory practice with access to advisory recommendations provide annual securities holdings reports and quarterly transaction reports to the firm's Compliance Department. Pinnacle Investments requires such access persons to also receive approval from the Chief Compliance Officer prior to investing in any private placements (limited offerings).

Pinnacle Investments requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Pinnacle Investments' Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. Any individual not in observance of the above may be subject to discipline.

Item 12: Brokerage Practices

Pinnacle Investments is registered as both a Broker Dealer and an RIA. As such accounts that are opened with Pinnacle Investments as the broker dealer clear through its clearing firm, First Clearing. This may create a conflict for accounts opened with First Clearing as Pinnacle Investments may receive additional compensation related to transaction charges and postage fees associated with these accounts. Additionally Pinnacle Investments may receive additional compensation on margin balances, money in sweep accounts and ACAT fees. This compensation is credited to the Firm and not passed along to its IARs. Pinnacle Investments does not receive payment for order flow.

Pinnacle Investments, through its clearing firm, 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. If accounts are aggregated for the purpose of order placement, the trades are run through an average price account. This means that you will not receive the best, nor the worst, price (best execution) since the price you receive will be the average of all prices received for the execution of the order.

Pinnacle Investments' registered representatives working in an IAR capacity may enroll clients in managed account programs, including those of entities affiliated with Pinnacle Investments. Please refer to Item 10 for additional information on these relationships and additional details on soft dollar arrangements.

Pinnacle Investments received soft dollar benefits through both First Clearing and Schwab. These arrangements are detailed in Item 4.

The availability to us of First Clearing and Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients. The investment products available through First Clearing and Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

The availability of services from First Clearing and Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for these services, and they are not contingent upon us committing any specific amount of business in trading commissions or assets in custody. The fact that we receive these benefits from First Clearing and Schwab is an incentive for us to recommend/require the use of First Clearing or Schwab rather than making such a decision based exclusively on your interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. We believe, however, that taken in the aggregate our selection/recommendation of either First Clearing as clearing firm or Schwab as custodian and broker is in the best interests of our clients.

There is a platform fee associated with the use of Schwab. In general, the fee is paid for by the IAR. However, in a few cases Pinnacle may pay the fee on behalf of our IAR. This creates a conflict of interest in that some of our advisors may have a financial incentive to use Schwab as a custodian. To mitigate this conflict, the Firm reviews all advisory accounts prior to being established to ensure they meet the objectives of our clients.

There is a technology fee associated with the use of First Clearings' Smartstation application. IARs that are also employees of Pinnacle Investments do not pay this fee however IARs that are 1099's incur this expense. This creates a conflict of interest in that some of our advisors may have a financial disincentive to use First Clearing as a clearing firm. To mitigate this conflict, the Firm reviews all advisory accounts prior to being established to ensure they meet the objectives of our clients.

Item 13: Review of Accounts

Review of Accounts

At Pinnacle Investments, trades transacted in Pinnacle Advisory accounts are reviewed by a supervisor through a risk-based combination of surveillance tools and reports. Every account that has no trade activity will be reviewed by a supervisor at least semi-annually. The entire portfolio, including third party managed accounts, will be reviewed at least annually by both the IAR and supervisor. Advisory accounts may be reviewed more frequently in the event of material market, economic or political events or changes in the client's individual circumstances.

Clients are provided with statements on a monthly or quarterly basis, depending on activity. These statements contain a description of any securities positions, money balances, or account activity to each customer whose account had a security position, money balance, or account activity during the period since the last such statement was sent to the customer.

Item 14: Client Referrals and Other Compensation

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

Charles Schwab & Co., Inc.:

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us. You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the arrangements because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above under *Item 4 Advisory Services*. The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

First Clearing

We receive an economic benefit from First Clearing in the form of the support products and services it makes available to us. You do not pay more for assets maintained at First Clearing as a result of these arrangements. However, we benefit from the arrangements because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by First Clearing, how they benefit us, and the related conflicts of interest are described above under *Item 4 Advisory Services*. The availability to us of First Clearing's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Item 15: Custody

Pinnacle maintains the full authority from customers with assets held at Wells Fargo Clearing Services ("WFCS") to direct WFCS to pay, transfer, or otherwise act with respect to any security or other assets in customers' accounts and that WFCS may rely fully on Pinnacle representation and warranty without inquiring of customer as to Pinnacle's authority. In addition, Pinnacle has the authority to issue checks from customer accounts and print checks drawn from customer accounts.

Due to this, Pinnacle is deemed to have custody of client funds and securities. Pinnacle has established the appropriate policies and procedures relating to compliance with the applicable regulation.

When it is deemed that Pinnacle has custody of client funds and securities, account statements will be sent directly to our clients from our qualified custodian ("custodian"), WFCS or other firms where assets are custodied. They should be carefully reviewed by our clients.

Item 16: Investment Discretion

For discretionary clients, Pinnacle Investments requires that it be provided with written authority through the Firm's investment management agreement.

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

Pinnacle Investments has discretionary authority to determine the following:

- Securities to be bought or sold for a client's account
- Number of securities to be bought or sold for a client's account
- Timing of when securities transactions are made.
- 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

Item 17: Voting Client Securities

Pinnacle Investments is not, and has not, been authorized by any clients to vote proxies on their behalf and does not vote client proxies on securities.

Item 18: Financial Information

In certain circumstances, registered investment advisers 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.

Pinnacle Investments is not required to disclose any financial conditions due to the following:

- Pinnacle Investments 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;

- Pinnacle Investments does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- Pinnacle Investments has never been the subject of a bankruptcy proceeding and it regularly files financial statements with the SEC. These are available through the SEC.