

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

## **WRAP PROGRAM BROCHURE (APPENDIX 1 TO FIRM BROCHURE)**

**March 26, 2024**

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This wrap fee program 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 Daniel A. Cesta 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.

Additional information about Pinnacle Wealth Management Group, Inc. is available on the SEC's website at [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 Firm is 281935.

## **ITEM 2 - MATERIAL CHANGES**

Since our last annual amendment filing on March 27, 2023, the following material changes were made to the Part 2A brochure:

- The custodian disclosure language was updated in Items 4 and 9.
- The solicitor disclosure language was removed in Item 9 because of the new SEC marketing rule.
- The transaction fee range was updated in Item 4.

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#### **ITEM 4 - SERVICES, FEES AND COMPENSATION**

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 firm’s owners. As of December 31, 2023, we manage \$163,965,211 in discretionary assets.

##### **SERVICES**

###### **PWMG INVESTMENT MANAGEMENT PROGRAM**

We offer ongoing portfolio management services in a wrap fee program. The following is a summary of the program. 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.

#### PWMG 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.

## FEES

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.

In a wrap account, clients pay a single annual advisory fee for advisory services and execution of transactions. Clients do not pay brokerage commissions, markups or transaction charges for execution of transactions in addition to the advisory fee.

Although clients do not pay a transaction charge for transactions in a program account, clients should be aware that we pay Charles Schwab & Co. ("Schwab") transaction charges for the transactions. The transaction charges paid by us vary based on the type of transaction (e.g., mutual fund, equity or fixed income security) and range from \$0 to \$50. Because we pay the transaction charges in program accounts, there is a conflict of interest. Clients should understand that the cost to us of transaction charges may be a factor that we consider when deciding which securities to select and how frequently to place transactions in a program account.

## 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.

## TERMINATION OF PORTFOLIO MANAGEMENT SERVICES

Either party 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 will receive a 100% refund of any fees paid without any cost or penalty. Thereafter, written termination will result in a prorated refund of unearned fees during the termination quarter. For example, if a client terminates an account 36 days into a 90-day quarter, the client will receive a refund of 60% of the fees charged at the beginning of the month. ( $36/90 = 40\%$ ;  $100\% - 40\% = 60\%$  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 TYPES OF FEES AND CHARGES

Program accounts will incur additional fees and charges from parties other than us as noted below. These fees and charges are in addition to the advisory fee paid to us. We do not share in any portion of these third party fees.

Schwab, as the custodian and broker-dealer providing brokerage and execution services on program accounts, will impose certain fees and charges. Schwab notifies clients of these charges at account opening. Schwab will deduct these fees and charges directly from the client's program account. There are other fees and charges that are imposed by other third parties that apply to investments in program accounts. Some of these fees and charges are described below.

- If a client's assets are invested in mutual funds or other pooled investment products, clients should be aware that there will be two layers of advisory fees and expenses for those assets. Client will pay an advisory fee to the fund manager and other expenses as a shareholder of the fund. Client will also pay us the advisory fee with respect to those assets. Most of the mutual funds available in the program may be purchased directly. Therefore, clients could generally avoid the second layer of fees by not using our management services and by making their own investment decisions.
- Certain mutual funds impose fees and charges such as contingent deferred sales charges, early redemption fees and charges for frequent trading. These charges may apply if a client transfers into or purchases such a fund with the applicable charges in a program account.
- Although only no-load and load-waived mutual funds can be purchased in a program account, clients should understand that some mutual funds pay asset-based sales charges or service fees (e.g., 12b-1 fees) to the custodian with respect to account holdings.
- If a client holds a variable annuity as part of an account, there are mortality, expense and administrative charges, fees for additional riders on the contract and charges for excessive transfers within a calendar year imposed by the variable annuity sponsor.

Further information regarding fees assessed by a mutual fund or variable annuity is available in the appropriate prospectus, which is available upon request from us or from the product sponsor directly.

## **OTHER IMPORTANT CONSIDERATIONS**

- The advisory fee is an ongoing wrap fee for investment advisory services, the execution of transactions, and other administrative and custodial services. The advisory fee may cost the client more than purchasing the program services separately. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the type and size of the account, historical and expected size or number of trades for the account, and number and range of supplementary advisory and client-related services provided to the client.
- The advisory fee also may cost the client more than if assets were held in a traditional brokerage account. In a brokerage account, a client is charged a commission for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If the client plans to follow a buy and hold strategy for the account or does not wish to purchase ongoing investment advice or management services, the client should consider opening a brokerage account rather than a program account.
- The investment products available to be purchased in the program can be purchased by clients outside of a program account, through broker-dealers or other investment firms not affiliated with us.

## **ITEM 5 - ACCOUNT REQUIREMENTS AND 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 \$1,000,000 in assets under management for our family office services (Platinum Program). This requirement is generally non-negotiable.

## **ITEM 6 - PORTFOLIO MANAGER SELECTION AND EVALUATION**

In our wrap program, we do not select, review or recommend other investment advisors or portfolio managers. We, through our investment adviser representatives (“IAR”), are responsible for the investment advice and management offered to clients. For more information about the IAR managing the account, client should refer to the IAR’s Brochure Supplement (ADV Part 2B), which the client should have received along with this Brochure at the time the client opened the account. By having our IARs act as the portfolio managers to the program there is a conflict of interest because our evaluation of the IARs as the managers may not be objective. We attempt to mitigate this conflict of interest by holding our IARs to the same standards that we would hold a non-affiliated portfolio manager. Additionally, 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.

We offer two wrap programs, PWMG Investment Management Program and PWMG Platinum Program. A description of these programs can be found above in Item 4. It is important to note that our services are tailored to the client’s stated goals, needs and objectives. We allow them to impose restrictions on investment in certain securities or types of securities. All restrictions must be presented to us in writing. Additionally, our investment management services are only offered in a wrap fee program and our investment adviser representatives are the portfolio managers. Therefore, we receive a portion of the wrap fee because we provide portfolio management services. The wrap fee does not include performance-based fees.



## 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; digital assets; 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.
- **Blockchain Investments Risk.** An investment in companies actively engaged in blockchain technology may be subject to the following risks:
  - The technology is new, and many of its uses may be untested. The mechanics of using distributed ledger technology to transact in other types of assets, such as securities or derivatives, is less clear. There is no assurance that widespread adoption will occur. A lack of expansion in the usage of blockchain technology could adversely affect an investment in an investment vehicle.
  - Theft, loss, or destruction. Transacting on a blockchain depends in part specifically on the use of cryptographic keys that are required to access a user's account (or "wallet"). The theft, loss, or destruction of these keys impairs the value of ownership claims users have over the relevant assets being represented by the ledger (whether "smart contracts," securities, currency, or other digital assets). The theft, loss, or destruction of private or public keys needed to transact on a blockchain could also adversely affect a company's business or operations if it were dependent on the ledger.
  - Competing platforms and technologies. The development and acceptance of competing platforms or technologies may cause consumers or investors to use an alternative to blockchains.
  - Developmental risk. Blockchain technology may never develop optimized transactional processes that lead to realized economic returns for any company in which an investment vehicle invests. Companies that are developing applications of blockchain technology applications may not, in fact, do so or may not be able to capitalize on those blockchain technologies. The development of new or competing platforms may cause consumers and investors to use alternatives to blockchains.

- Intellectual property claims. A proliferation of recent startups attempting to apply blockchain technology in different contexts means the possibility of conflicting intellectual property claims could be a risk to an issuer, its operations, or its business. This could also pose a risk to blockchain platforms that permit transactions in digital securities. Regardless of the merit of any intellectual property or other legal action, any threatened action that reduces confidence in the viability of blockchain may adversely affect an investment in an investment vehicle.
- Lack of liquid markets and possible manipulation of blockchain-based assets. Digital assets that are represented and trade on a blockchain may not necessarily benefit from viable trading markets. Stock exchanges have listing requirements and vet issuers, and perhaps users. These conditions may not necessarily be replicated on a blockchain, depending on the platform's controls and other policies. The more lenient a blockchain is about vetting issuers of digital assets or users that transact on the platform, the higher the potential risk for fraud or the manipulation of digital assets. These factors may decrease liquidity or volume or increase the volatility of digital securities or other assets trading on a blockchain.
- Lack of regulation. Digital commodities and their associated platforms are largely unregulated, and the regulatory environment is rapidly evolving. Because blockchain works by having every transaction build on every other transaction, participants can self-police any corruption, which can mitigate the need to depend on the current level of legal or government safeguards to monitor and control the flow of business transactions. As a result, companies engaged in such blockchain activities may be exposed to adverse regulatory action, fraudulent activity, or even failure.
- Third party product defects or vulnerabilities. Blockchain systems are built using third party products, those products may contain technical defects or vulnerabilities beyond a company's control. Open-source technologies that are used to build a blockchain application may also introduce defects and vulnerabilities.
- Reliance on the Internet. Blockchain functionality relies on the Internet. A significant disruption of Internet connectivity affecting large numbers of users or geographic areas could impede the functionality of blockchain technologies and adversely affect investment vehicles. In addition, certain features of blockchain technology, such as decentralization, open-source protocol, and reliance on peer-to-peer connectivity, may increase the risk of fraud or cyber-attack by potentially reducing the likelihood of a coordinated response.
- Line of business risk. Some of the companies in which investment vehicles may invest are engaged in other lines of business unrelated to blockchain, and these

lines of business could adversely affect their operating results. The operating results of these companies may fluctuate as a result of these additional risks and events in the other lines of business. In addition, a company's ability to engage in new activities may expose it to business risks with which it has less experience than it has with the business risks associated with its traditional businesses. Despite a company's possible success in activities linked to its use of blockchain, there can be no assurance that the other lines of business in which these companies are engaged will not have an adverse effect on a company's business or financial condition.

- **Cryptocurrency Risk.** Cryptocurrency (notably, bitcoin), often referred to as “virtual currency,” “digital currency,” or “digital assets,” operates as a decentralized, peer-to-peer financial exchange and value storage that is used like money. Clients may also be exposed to cryptocurrencies other than bitcoin. Cryptocurrency operates without central authority or banks and is not backed by any government. Even indirectly, cryptocurrencies (i.e., bitcoin) may experience very high volatility, and related investments may be affected by such volatility. As a result of holding cryptocurrency, certain of [Firm Name]'s Clients may also trade at a significant premium to NAV. Cryptocurrency is also not legal tender. Federal, state, or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in the U.S. is still developing. The SEC has issued a public report stating U.S. federal securities laws require treating some digital assets as securities. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers, or malware. Due to its relatively recent launch, bitcoin has a limited trading history, making it difficult for investors to evaluate investments in this cryptocurrency. It is also possible that a cryptocurrency other than bitcoin, including cryptocurrencies to which the investor has limited or no exposure to, could become materially popular and have a negative impact on the demand for and price of bitcoin. It is possible that another entity could manipulate the blockchain in a manner that is detrimental to the bitcoin network. Bitcoin transactions are irreversible such that an improper transfer can only be undone by the receiver of the bitcoin agreeing to return the bitcoin to the original sender. Digital assets are highly dependent on their developers, and there is no guarantee that development will continue or that developers will not abandon a project with little or no notice. Third parties may assert intellectual property claims relating to the holding and transfer of digital assets, including cryptocurrencies and their source code. Any threatened action that reduces confidence in a network's long-term ability to hold and transfer cryptocurrency may affect investments in cryptocurrencies.
- **Cryptocurrency Tax Risk.** Many significant aspects of the U.S. federal income tax treatment of investments in bitcoin are uncertain, and an investment in bitcoin may produce income that is not treated as qualifying income for purposes of the income test applicable to regulated investment companies. The taxation will depend on a number of factors, including the nature of any investments made, the jurisdiction in which the

income from such investments may be subject to tax, the jurisdiction in which the investor is subject to tax, and the applicable laws in any relevant jurisdiction.

#### **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. Also, we do not accept authority to take action with respect to legal proceedings relating to securities held in the account. In the event a client has a question about either, the client should contact us.

#### **ITEM 7 - CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

In our wrap program, we are responsible for account management; there is no separate portfolio manager involved. We obtain the necessary financial data from the client and assist the client in setting an appropriate investment objective for the account. We obtain this information by having the client complete an advisory agreement and other documentation. Clients are encouraged to contact us if there have been any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions. Client should be aware that the investment objective selected for the program is an overall objective for the entire account and may be inconsistent with a particular holding and the account's performance at any time. Client should further be aware that achievement of the stated investment objective is a long-term goal for the account.

#### **ITEM 8 - CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Client should contact us at any time with questions regarding the program account.

#### **ITEM 9 - ADDITIONAL INFORMATION**

##### **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.

##### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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.

Additionally, our associates may be independent insurance agents (life, annuities, 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.

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

##### ***Our Approach to Conflicts of Interest***

Conflicts of interest that may arise in the course of providing investment management services are described throughout this brochure, as are some of our policies and procedures designed to address specific conflicts of interest, such as our Code of Ethics and personal trading practices.

We have a compliance program in place that is intended to identify, mitigate and, in some instances, prevent actual and potential conflicts of interest, ensure compliance with legal and regulatory requirements and ensure compliance with client investment guidelines and restrictions. Our compliance program includes written policies and procedures that we believe are reasonably designed to prevent violations of applicable law and regulations.

##### ***Code of Ethics***

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.B. 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.

#### ***Policy Regarding Engaging in Agency Cross Transactions in Advisory Accounts***

It is our policy to prohibit representatives from engaging in agency cross transactions where representatives act as brokers for both the buy and sell of a single security between two different clients for which the representatives receive compensation in the form of an agency commission or principal mark-up for the trades. Should we adopt a different policy in this area, we will observe all rules and regulations in accordance with the disclosure and consent requirements of Section 206(3) of the Advisers Act. Additionally, we are aware that such transactions can only occur if we can ensure that we meet our duty of best execution for the client.

#### ***Policy Regarding Engaging in Principal Trading Involving Advisory Accounts***

We do not permit principal transactions to be effected in advisory accounts.

#### **REVIEW OF ACCOUNTS**

##### ***Frequency of Account Reviews***

Our owners review the general holdings of client accounts on a monthly basis. In addition to these reviews, they with clients, either in person or by telephone, on a bi-annual basis to discuss and review their accounts.

##### ***Review Triggers***

The calendar is the triggering factor. Factors triggering an account review may include material market, economic or political events, and changes in your financial or personal situation or performance of the account in general.

##### ***Reports and Account Statements***

You will receive at least monthly statements from the account custodian or clearing firm, if your account(s) have 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.

To the extent you receive performance reports from your representative, we urge you to compare performance reports received with account statements received from the custodian. Inquiries or concerns regarding the account, including performance reports, should be directed to the investment advisor firm at the phone number listed on the account statement. Each representative then decides whether to provide these reports to his or her clients. Performance information provided by your representative is believed to be accurate but cannot be guaranteed. Your representative may or may not include variable annuity account position information within performance reports. Neither our firm nor your representative can guarantee the accuracy of fund values, securities' and other information obtained from third parties.

#### CLIENT REFERRALS AND OTHER COMPENSATION

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.B) 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 promoter 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.

#### FINANCIAL INFORMATION

We do not have any financial impairment that will preclude us from meeting our contractual commitments to you. We do not serve as a custodian for your funds or securities. At no time will fees of more than \$500 be charged six or more months in advance by our firm or your representative. We have established policies and procedures designed to prevent the collection of fees greater than \$500 six or more months in advance. As such, a balance sheet is not required to be provided to you at this time.

#### CUSTODY

All client funds, securities and accounts are held at third-party custodians. We do not take possession of a client's securities. However, the client will be asked to authorize us with the ability to deduct fees directly from the client's account. This authorization will be to deduct our management fee only. A client may cancel this authorize to deduct our fees from the Account at any time. Clients should receive 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.

#### BROKERAGE PRACTICES

We participate in the Schwab program. Schwab, member FINRA/SIPC. Schwab is an independent and unaffiliated SEC-registered broker-dealer. Schwab offers to independent investment Advisors services which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from Schwab through its participation in the program. (Please see the disclosure below under Client referrals and Other Compensation.)

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services.

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 or non-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.

### OTHER COMPENSATION

We do not pay nor receive compensation for referrals from any custodian or broker. However, we participate in Schwab's customer program and we may recommend Schwab 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 Schwab 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 manager; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. Schwab may also have paid for business consulting and professional services received by our related persons. Some of the products and services made available by Schwab 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 Schwab. Other services made available by Schwab 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 Schwab. As part of its fiduciary duties to clients, our endeavors at all times are to put the interests of its 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 Schwab for custody and brokerage services.

### 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. The Plan

also covers pandemics such as Covid-19. 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 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 has 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.