

**FORM ADV PART II**



Distinctive Service. Effective Advice.

Pinnacle Investment Advisory, ("PIA", DBA Pinnacle Advisory Services "PAS") is a registered investment adviser\* with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940, ("the Advisers Act") and is a subsidiary of Pinnacle Financial Partners, Inc., a publicly held company (symbol PNFP). Our firm has a strong reputation based on the professionalism and high standards of the firm and our employees. The firm's reputation and our advisory client relationships are the firm's most important assets. As a registered adviser, and as a fiduciary to our advisory clients, our firm has a duty of loyalty and to always act in the utmost good faith, place our clients' interests first and foremost and to make full and fair disclosure of all material facts and in particular, information as to any potential and/or actual conflicts of interests.

**Mission:**

**To strive for superior investment results by providing advice and customized solutions for our clients using prudent judgment in combination with a disciplined, focused investment process.**

*This brochure provides information about the qualifications and business practices of Pinnacle Investment Advisory. If you have any questions about the contents of this brochure, please contact us at 615-743-8271. 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 Investment Advisory also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov)*

*\*registration status does not imply or indicate any level of skill or training*

#### **Material Changes**

Since the last amendment filed 4/01/2013, the composition of the Investment Committee has changed. Current members are Mac Johnston, Miriam Baird, and David James. The proxy voting section was updated in July 2015 to reflect our investment management contracts, stating that we do not vote proxies. Harold Carpenter has rotated off the board and Jeff Eubanks has been added as a board member. Chris Bricker resigned as a portfolio manager.

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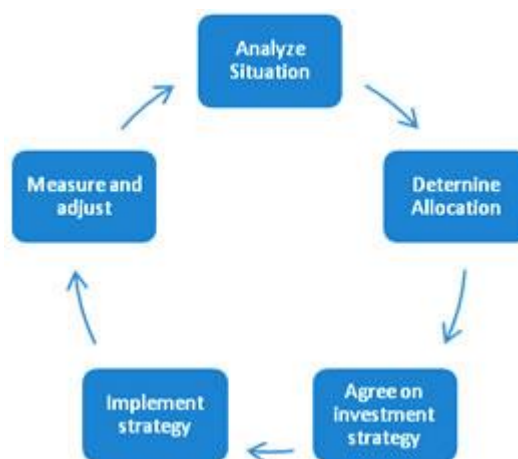
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## 2A.1 Advisory Business

PIA has been in business since 2006 and is a wholly-owned subsidiary of Pinnacle Financial Partners. **As of December 31, 2014, PIA manages approximately \$343 million in discretionary assets.** Our success is measured by investment results that exceed our clients' investment expectations. Our priority is to simplify, organize and measure your investments. We have the freedom to offer investment advice that is both personalized and unbiased to help accumulate and protect your assets.

### The Investment Process

1. **Analyze situation.** We get to know you, your current financial situation, your tolerance for risk and expectations on return. These insights will make all the difference in how we serve your interests.
2. **Determine allocation.** We'll help you diversify your portfolio to attain your goals without overstepping your tolerance for financial risk.
3. **Agree on an investment strategy.** A tailored financial plan will provide a disciplined and systematic approach to investing.
4. **Implement plan.** Your investment advisor will work with you to take your asset allocation and written strategy and execute it.
5. **Measure and adjust.** Regular communications and reports assure that we get your feedback and make adjustments based on changes in your financial situation.



Your life is not static and neither is this process. Throughout our relationship, we'll evaluate this process and make adjustments. That's how we help you employ disciplined long-term strategies that help protect against short-term market swings and provide risk management strategies.

## 2A-2. Fees and Compensation

For most clients, "investment supervisory services" are rendered. This service involves continuous advice to clients as to the investments of their funds depending on the particular circumstances and needs of the client.

Fees charged depend upon the goals of the account. PIA offers four basic services with different fee schedules for each:

**1) Money Market accounts** invest in high quality, short-term, fixed income investments on a discretionary basis. Services offered include knowledge of yield spreads between different money market instruments, execution of orders, wiring of funds; accounting of income and attaining the proper duration for the portfolio. The fee schedule for this is .30% of the assets under management.

**2) Fixed Income Accounts** invest in portfolios of fixed income securities and cash equivalents on a discretionary basis. Investments may include both taxable and tax exempt securities. The fee for this service is .75% for the first \$500,000 and .60% for assets of \$500,000 to \$100,000 and .40% for assets above \$1,000,000. There is a minimum annual fee of \$2,000.

**3) Balanced Accounts** call for a performance comparison between recognized indices and objectives of achieving an above average return for the risk assumed. These accounts involve discretionary authority and place asset allocation decision with the portfolio manager with guidance parameters. The fee for this service is 1.2% on the first \$250,000; 1% on the next \$250,000; .90% on the next \$500,000 and .85% on all amounts greater than \$1,000,000.

**4) Equity Accounts** call for a performance comparison between recognized indices and objectives of achieving an above average return for the risk assumed. These accounts involve discretionary authority and place asset allocation decision with the portfolio manager with guidance parameters. The fee for this service is 1.2% on the first \$250,000; 1% on the next \$250,000; and .90% on the next \$500,000 and .85% on all amounts greater than \$1,000,000.

Fees are negotiable.

Clients are charged in arrears for their quarterly investment management fee. If the relationship is terminated, any fees paid in advance will be returned to the client in an equitable, pro-rata manner.

From time to time, PIA will enter into consulting arrangements for matters that involve financial planning. These arrangements are usually of limited duration and the hourly or flat fee is negotiated with our clients.

Two access personnel who are subject to PIA's Code of Ethics are registered representatives with Raymond James. Miriam S. Baird is a registered representative with Raymond James solely for trading purposes and receives no compensation from Raymond James. Chris Adams is a registered representative with Raymond James and serves in a back-up trading role. He receives no compensation from Raymond James for trades he executes in this back-up trading role.

### **2A-3. Performance-Based Fees and Side-by-Side Management**

PIA does not engage in either of these practices.

### **2A-4. Types of Clients**

We offer services to individuals, trusts, estates, charitable organizations and various other types of corporations or business entities. The typical minimum dollar amount to open an account with PIA is \$100,000.

### **2A-5. Methods of Analysis, Sources of Information and Investment Strategies and Risk of Loss**

PIA uses an "open architecture" platform to produce customized solutions for clients with an objective evaluation of all investment options. Once the analysis is complete, the process continues with the production of an **Investment Policy Document** which lays out a prudent and systematic investment program that is customized for each client.

An **Asset Allocation Analysis** is conducted to ensure diversification throughout the process and to determine an acceptable risk tolerance level for our clients, who are then educated as to how much risk is associated with the investments chosen. PIA has three proprietary composites: Core Equity, Balanced and Equity Income, which are also used in the asset allocation process in an "a la carte" fashion.

Once invested, PIA conducts regularly scheduled, periodic **Performance Evaluations** with all clients to discuss their portfolio's performance and address any issues or concerns.

PIA's **Investment Policy Committee** meets weekly to review and discuss portfolio stock holdings as they relate to other factors such as economic news, company news or earnings changes. Among the many different sources the committee might use to supplement its substantial knowledge base and level of expertise are financial publications, corporate rating services and press releases, corporate research materials, annual reports and filings with the U.S. Securities and Exchange Commission.

PIA uses a **Model Portfolio** which minimizes dispersion across client portfolios. The Investment Committee's approach to its **security selection process** begins on broad scope which may include discussions of major economic events and how they may affect different industry sectors and their growth potential. From there, industry sectors are examined where trends might become more recognizable through research and discussion which could lead to further review of specific holdings inside the portfolio that may need adjustment. Our underlying "**Sell Discipline**" is utilized under certain circumstances, among which are:

- There is a change in a company's fundamental structure
- Leading economic indicators begin to turn negative, or
- There are unfavorable changes in a company's management or business plan

## 2A-6. Disciplinary Information

There are no material disciplinary actions (including civil arbitration) against any PIA employees.

## 2A-7. Other Financial Industry Activities and Affiliations

### Employee Sharing Arrangement

As a type of associate-sharing arrangement, PIA provides investment advice to its affiliate Pinnacle Bank which acts as trustee or agent to trust and agency accounts. ***This advice is given without separate charge to the trust or agency accounts.*** However, Pinnacle Bank in its discretion will from time to time make internal allocations of trust department revenue to PIA meant to cover PIA personnel and other costs as agreed upon between both affiliates.

### WRAP Fee Arrangement

PIA will enter into WRAP fee arrangements with Raymond James for discretionary equity/balanced accounts. PIA receives a fee from Raymond James with respect to their WRAP fee program and does not separately charge the client. As mentioned in Section 2A-2, several access personnel who are subject to PIA's Code of Ethics are registered representatives with Raymond James.

## 2A-8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The foundation of PIA's Code consists of basic standards of conduct including, but not limited to, the avoidance of conflicts between personal interests and interests of the Firm or its clients. To this end, directors, officers and employees of the firm must adhere to ethical standards and have the duty to:

- Place the interests of the Firm's Clients first
- Ensure that all personal securities transactions be conducted in a manner that is consistent with this Code to avoid any actual or potential conflict of interest or any abuse by such directors, officers and employees within a position of trust and responsibility
- Ensure that the directors, officers and employees of the firm do not take inappropriate advantage of their position with the firm.

## Reporting Requirements

All Access Persons of the Firm must allow and arrange for the Chief Compliance Officer to receive directly from any outside broker - dealer, or bank in question, duplicate copies of each confirmation and periodic statements for each transaction in Reportable Securities for the Access Person's account. If any Access Person is unable to arrange for duplicate confirmations and statements to be sent, he or she must immediately notify the Chief Compliance Officer.

Each Access Person of the Firm shall submit the following reports to the Firm's Chief Compliance Officer. The reports must show transactions in Reportable Securities in which the Access Person has, or by reason of such transaction acquires, any direct or indirect Beneficial Ownership.

**Initial Holdings Report:** Shall initially be filed no later than 10 days after that person becomes an Access Person of the Firm. The information contained in the Initial Holdings Report must be current as of a date no more than 45 days prior to the date the person becomes an Access Person of the firm.

**Quarterly Transaction Reports:** Shall be filed no later than 30 days after the end of each calendar quarter. Each Quarterly Transaction Report must include information concerning each transaction involving a Reportable Security in which the Access Person had, or as a result of the transaction acquired, any direct or indirect beneficial ownership.

**Annual Report:** Shall be submitted by each Access Person within 10 days after the end of each calendar year. The information contained in the Annual Report must be current as of a date no more than 45 days prior to the date the report was submitted.

**Exceptions**

An Access Person is not required to submit:

- a. any report with respect to securities held in accounts over which the Access Person had no direct or indirect influence or control;
- b. a transaction report with respect to transactions effected pursuant to an automatic investment plan;  
Please note: Reallocations of investment plans involving Reportable Securities are a reportable event, and
- c. a transaction report, if the report would duplicate information contained in broker trade confirmations or account statements that the Firm holds in its records, so long as the Firm receives the confirmation statements no later than 30 days after the end of the applicable calendar quarter.

**Pre-clearance and other Insider Trading Provisions**

***Pre-clearance Requirements for Transactions in Reportable Securities***

PIA personnel may from time to time recommend to clients that they buy or sell securities which PIA or its personnel may also own or have a financial interest in. In order to prevent a conflict of interest and put clients' interests ahead of their own, PIA personnel are required to "pre-clear" or receive prior permission from PIA President Hugh Maclin Johnston, Trader Miriam Baird, or Chief Compliance Officer David James before affecting any transactions in certain "reportable" securities. If PIA has in fact traded or intends to trade in the same security within its portfolio, PIA associates trades may not be affected within three business days before or after that trade has taken place. If the transaction is not effected on the same business day that the approval is obtained, a new request must be submitted and approved. GTC orders in reportable securities are prohibited.

***Pre-clearance Requirements for Investments in Public Offerings and Limited Offerings***

No Access Person may directly or indirectly acquire a beneficial ownership in any security issued in an Initial Public Offering or a Limited Offering, unless the Chief Compliance Officer has approved a written request relating to such acquisition.



***Blackout Periods***

An Access Person shall not purchase or sell, directly or indirectly, any Reportable Security within three business days before or after effecting a purchase or sale of that Reportable Security on behalf of a client of the Firm.

***Exceptions***

The foregoing pre-clearance and blackout period requirements do not apply to Reportable Securities (other than investments in Initial Public Offerings and Limited Offerings):

- held in accounts over which the Access Person had no direct or indirect influence or control;
- purchased or sold pursuant to an automatic investment plan; and
- issued by Pinnacle Financial Partners, Inc. or its affiliates.

***Short-term trading***

Access Persons may not engage in short-term trading of Reportable Securities. Absent extenuating circumstances, Access Persons shall disgorge and remit to the Firm any profit realized by them from a sale or exchange of Reportable Securities that the Access Person has held for a period of 30 days or less. The Chief Compliance Officer must determine and approve any extenuating circumstances and keep records of all such exceptions.

PIA's Code of Ethics document is always available to any client or perspective client upon their request.

**2A-9. Brokerage Practices**

Pinnacle Investment Advisory does not recommend brokers.

***Soft Dollar Commissions***

PIA does not have any formal or informal arrangements or commitments to utilize research, research-related products and other services obtained from broker-dealers or third parties on a soft dollar commission basis.

***Commissions***

PIA will research and review a broker's standard and competitive commission schedule for all security products.

***Trade Aggregation Policies and Practices***

PIA may aggregate (bunch) transactions for your account with those of other clients in an effort to obtain the best execution under the circumstances. However, you may direct in writing that transactions for your account not be aggregated with those of other clients. If you direct PIA to not to aggregate your trades, you may lose certain potential benefits from "bunching" such as lower commission rates and transactional efficiencies. Non-bunched orders could be executed at different times than bunched orders, resulting in prices that may be higher or lower than the prices at which non-bunched orders are executed.

**2A-10. Review of Accounts**

PIA provides for semi-annual or annual reviews for PIA's portfolio where President and Senior Portfolio Manager Mac Johnston and Portfolio Manager and Trader Miriam Baird conduct the reviews. Topics discussed may include asset allocation, holdings and account restrictions. In addition, clients are sent monthly or quarterly account statements from their custodians showing performance, holdings and trading history.

#### **2A-11. Client Referrals and Other Compensation**

PIA provides investment advice to its affiliate Pinnacle Bank, which acts as trustee or agent to trustee and agency accounts. This advice is given without separate charge to the trust or agency accounts. However, internal allocations of trust department revenue to PIA meant to cover PIA personnel and other costs shall be made as agreed upon from time to time by Pinnacle Bank at its discretion.

PIA does not provide compensation to third parties for client referrals directly or indirectly.

#### **2A-12. Custody**

As a matter of policy, PIA does not intentionally hold or maintain custody of client assets. It is our policy that we will not accept client funds or securities, or have any authority to obtain possession of them. Client assets will be held by a "qualified custodian" (as defined by the Securities and Exchange Commission Rule 206(4)-2),

PIA is never directly responsible or in any position of authority to access or remove funds directly from clients' accounts.

#### **2A-13. Investment Discretion**

PIA takes pride and care when managing your portfolio. To manage your account, we will have authority to determine which securities to buy and sell; which is commonly known as "discretion"; a topic which is also covered in the Investment Advisory Agreement. Clients generally do not place limitations on trading discretion; however, clients wishing to impose limitations must give notice of the limitations in writing.

PIA delivers investment advice through consultations and issuing reports, graphs, charts and formulas. Any research available to PIA is available for use with all client accounts and is not taken into consideration when determining fees or commissions assessed to clients.

When a broker utilizes PIA, PIA receives a portion of the fees charged by that broker dealer under the terms of the Investment Management Agreement. In such cases, we do not charge the client any additional fees.

#### **2A-14. Voting Client Securities**

As a matter of policy, PIA does not vote client proxies.

#### **2A-15. Financial Information**

Since PIA does not require or solicit prepayment of fees, (see section 2A-2, Fees and Compensation) we are not required to enclose our balance sheet in this section. However, we will supply our most recent audited balance sheet to any client who requests it.

## **2A-16. Educational and Professional Backgrounds**

### **Hugh Maclin Johnston, President**

*Year of Birth:* 1965

*Formal Education:* Southern Methodist University, B.B.A.; Columbia University, M.B.A.

*Business Background:* Chief Investment Officer Pinnacle Financial Partners (2/03-present), PIA President and Investment Committee member; SVP Morgan Stanley (3/00-1/03)

### **Miriam S. Baird, Secretary & Trader**

*Year of birth:* 1959

*Formal Education:* David Lipscomb University, B.S. in Office Administration/ Business Management

*Business background:* SVP Pinnacle Financial Partners (7/06 - present), PIA Secretary, Head of Recordkeeping, Trader and Investment Committee member; VP UBS PaineWebber / ILP J.C. Bradford & Co. (9/81 - 10/05), municipal bonds sales and trading

### **Robert Sutton, Financial Planning**

*Year of Birth:* 1972

*Formal Education:* B.A. Music, Mississippi College, MBA University of Mississippi

*Business Background:* Pinnacle Financial Partners (4/15-present), FTB Private Banker (7/14-4/15), MML Investors (1/10-7/14)

### **David M. James, Chief Compliance Officer**

*Year of birth:* 1965

*Formal Education:* University of Tennessee, Series 4, 7, 24, 53, 55, 63, 66, 79, 99

*Business Background:* Pinnacle Financial Partners Chief Compliance Officer (3/15 – present), Trustcore Chief Compliance Officer (5/11-3/15), Wiley Bros Head of Equity Trading (9/08-5/11)