

Pinnacle Capital Management, LLC
Form ADV Part 2A
Firm Brochure

March 31, 2011

This Firm Brochure (“Brochure”) provides information about the qualifications and business practices of Pinnacle Capital Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (315) 234-9716 or invest@pcm-advisors.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 Capital Management, LLC is an investment adviser that is registered with the SEC. Registration of an investment adviser does not imply a certain level of skill or training. The oral and written communications of an investment adviser are intended to provide you with information upon which you may base a decision to hire or retain such investment adviser. You are encouraged to investigate independently an investment adviser before hiring or retaining such investment adviser.

Additional information about Pinnacle Capital Management, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

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Fayetteville, New York 13066
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Item 2: Material Changes

On July 28, 2010, the SEC published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated March 31, 2011 is a new document prepared according to the SEC’s new requirements and rules. As such, this Document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 150 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Steven R. Pickard, Chief Executive Officer and Chief Compliance Officer of Pinnacle Capital Management, LLC at (315) 234-9716 or invest@pcm-advisors.com. Our Brochure is also available on our website free of charge at www.pcm-advisors.com.

Additional information about Pinnacle Capital Management, LLC is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Pinnacle Capital Management, LLC who are registered, or are required to be registered, as investment adviser representatives of Pinnacle Capital Management, LLC.

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Item 4: Advisory Business

Pinnacle Capital Management, LLC (“PCM”) was founded in August 2006 and is controlled by Pinnacle Holding Company, LLC. PCM is organized as a Delaware limited liability company. PCM has one office located in Fayetteville, New York.

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,
- municipal securities,
- investment company securities (mutual fund shares),
- United States governmental 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 (CMOs), collateralized loan obligations (CLOs), commercial mortgage backed securities (CMBSs), and ABS backed by credit card receivables, auto loans, and equipment leases,
- private placement 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, corporations, insurance companies, and other business entities.

PCM provides continuous advice to advisory clients regarding investment of assets based on the individual needs of each client. Client investment objectives, risk tolerances, and time horizon are established at the beginning of each client relationship and are routinely monitored throughout the relationship. 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 a discretionary or nondiscretionary 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, 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 and exchange traded funds will be selected on the basis of 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 a wrap program as discussed below. One of the significant differences between how PCM manages wrap fee accounts versus other accounts generally is that trading of a wrap fee account is executed through the sponsor of the wrap fee program. This form of directed brokerage may result in trading costs and execution services that are not as advantageous to the client as circumstances where PCM seeks "best execution." PCM receives a portion of the total wrap fee for its portfolio management services.

PCM provides portfolio management services in the Pinnacle Investments' Pinnacle Capital Management Separately Managed Account Program ("PCM SMAP"). PCM SMAP is a wrap fee program in which Pinnacle Investments, LLC ("PI"), a dually registered firm affiliated with PCM through common ownership and control, acts as adviser and wrap fee program sponsor. 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 SMAP agreement, PCM may vote proxies on behalf of participants. PCM is compensated by PI for providing portfolio management services for clients participating in the wrap fee program. The participants in PCM SMAP are clients of PI and not advisory clients of PCM. PI is responsible for assisting clients in understanding the wrap fee program in light of the client's investment objectives and financial situation; initially and on an ongoing basis. PI 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 SMAP agreement with full trading discretion, subject to written restrictions, and does not act in any other capacity. These clients should refer to PI's disclosure document for the program for additional information.

As of February 28, 2011, PCM managed \$67,834,824 on a discretionary basis and \$314,727,400 on a nondiscretionary basis.

Item 5: Fees and Compensation

Compensation

PCM bases its fees on a percentage of assets under management. PCM manages accounts for a variety of client types including separate accounts, investment companies, and wrap fee programs. These clients typically invest in similar, if not the same securities. Varying fee schedules may create an incentive for PCM to place more profitable trades in higher fee paying accounts over other accounts in the allocation of investment opportunities. PCM has procedures designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Compensation – Separate Accounts

The fee for PCM's advisory services will be calculated by multiplying an agreed upon rate to the assets under management in the separate account, or by using some other metric as may be negotiated with the client. The annual fee is mutually agreed upon by PCM and the client. Criteria such as investment style, discretionary or non-discretionary, account size, other accounts of the same client managed by PCM, specific investment guidelines and/or restrictions, reporting requirements and frequency, business relationship with the client, and other client specific criteria are taken into consideration when determining the annual fee. Clients should note that similar advisory services may or may not be available from other registered investment advisers for similar or lower fees.

PCM's annual fee typically ranges between 0.50% and 2.00% and the minimum initial account value required is generally \$100,000. All fees and account minimums may be negotiated.

Fees payable by advisory clients are payable in advance and will be invoiced at the beginning of each calendar quarter 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 quarter payable. The initial fee payable when an account is opened will be based on the initial deposit made into the account. If you terminate your advisory relationship with PCM before the end of the calendar quarter end, a pro-rated refund of advisory fees will be made to you.

Compensation - Sub-Advisory Services

PCM is compensated by PI as a sub-adviser for providing portfolio management services to PI's clients participating in PCM SMAP. Generally, PI compensates PCM at the annualized rate of 0.50% of assets under management in the program annually. In certain circumstances, PI may compensate PCM at an alternative amount based on a mutually agreed upon fee for a particular PCM SMAP agreement. This amount may be more or less than the annualized rate of 0.50%.

Compensation – Affiliated Mutual Funds

PCM provides portfolio management for the Pinnacle Capital Management Funds Trust and its series portfolios (the "Funds"), which as of the date of this Brochure consisted of one series, the Pinnacle Capital Management Balanced Fund. PCM may recommend the Funds, as suitable, to its advisory clients. The fees that PCM receives for managing the Funds are separate and, in some cases, may be in addition to the fees paid to PCM for providing advisory services directly to a client. The fees PCM receives for managing the Funds are set forth in the prospectus(es) of the Funds, which may be obtained upon request.

Other Fees and Expenses

PCM's advisory fees are exclusive of brokerage commissions, transactions fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodian fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds (as discussed below) and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to PCM's fee, and PCM shall not receive any portion of these commissions, fees and other costs.

All fees paid to PCM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders, including mutual funds adviser by PCM. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of PCM. In that case, the client would not receive the services provided by PCM which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition or objective. Accordingly, the client should review both the fees charged by the fund and the fees charged by PCM to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Item 12 further describes the factors that PCM considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

Clients will incur brokerage and other transaction costs. Please refer to Item 12 for more information.

Supervised persons of PCM may accept compensation for the sale of securities and other investment products, including asset based sales charges or services fee from mutual funds. This practice presents a conflict of interest and may give PCM or its supervised persons an incentive to recommend investment products based on the compensation received, rather than on the client's needs. PI has adopted procedures (which apply to the PCM and its supervised persons) that are intended to ensure that clients receive appropriate information to understand this potential conflict of interest. In recommending products to its clients PCM (or its supervised persons) may recommend no-load products or load products. Clients should be aware that they have the option to purchase investment products that PCM recommends through other brokers or agents that are not affiliated with PCM. PCM will not reduce its advisory fees to offset any commissions or markups that it or its supervised persons may receive.

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

Performance-Based Fees

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

Item 7: Types of Clients

PCM provides portfolio management services to:

- individuals,
- investment companies,
- pension and profit sharing plans,
- trusts, estates, or charitable organizations,
- corporations, insurance companies or other business entities.

PCM requires a minimum account size of \$100,000 for separately managed accounts. This account size may be negotiable.

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

Method of Analysis

PCM may use a fundamental and technical approach in its security analysis. It may also utilize charting and cyclical analyses.

PCM uses the following main sources of information including, financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission ("SEC"), and company press releases.

Investment Strategies

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

PCM utilizes a disciplined portfolio construction process designed to be broad enough to provide proper diversification so as to reduce undue risks while individual positions are sufficient enough to have a meaningful impact on the overall return of the portfolio. Typically, the equity portion of a portfolio will consist of 25-30 different stocks and the fixed-income portion of a portfolio will vary based on the criteria discussed below.

The overall allocation between equity and fixed income is determined by matching a particular client's investment objective to one of our portfolios which include: (i) Aggressive Growth; (ii) Growth; (iii) Balanced; (iv) Moderate; and (v) Conservative. Additionally, PCM offers clients an Active Asset Allocation ("AAA") portfolio for those clients who wish their portfolio to be managed according to an asset allocation strategy using multiple asset classes. The AAA portfolio is constructed with exchange-traded funds in multiple asset classes designed to complement and be used in conjunction with our traditional equity investment selections.

When selecting equity securities, PCM uses a selection process based upon a model that applies three core strategies to the universe of stocks in order to identify a smaller number of potential buy candidates. These strategies are intended to identify individual securities that will minimize individual downside risk – thereby preserving capital – and enhancing upside potential – thereby achieving long-term capital appreciation. The strategies are: (i) "sustained growth strategy" which identifies companies with characteristics that enable them to experience continued growth; (ii) "supply-demand strategy" which identifies cyclical companies whose profit fluctuates significantly during an economic cycle due to rising and falling demand of its product; and (iii) "turn around strategy" which identifies companies who compete in viable industries that have experienced a substantial reduction in profitability compared to their peers. Once PCM applies these strategies, it establishes price targets to ensure it purchases and sells the stocks at appropriate prices.]

When selecting fixed income securities, PCM considers, among other things, duration, yield, credit quality, maturity, current economic environment and trading environment.

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 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

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

Asset Allocation Risk

PCM'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 of 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.]

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of PCM or the integrity of PCM's management. PCM has no information to disclose applicable to this Item.

Item 10: Other Financial Industry Activities and Affiliations

PCM is wholly owned by Pinnacle Holding Company, LLC.

Financial Industry Activities – Broker-Dealers

PCM is not registered as a broker-dealer. Several officers and other employees of PCM are also registered as representatives of its affiliated broker-dealer, Pinnacle Investments, LLC.

Financial Industry Activities – Futures and Commodities

Neither PCM nor any of its management persons is registered as, or associated with, a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

Investment Company

PCM provides portfolio management for the Pinnacle Capital Management Funds Trust and its mutual fund, the Pinnacle Capital Management Balanced Fund. PCM and Pinnacle Capital Management Funds have the same Chief Compliance Officers who monitor the policies and procedures related to advisory and sub-advisory clients so that no advisory and sub-advisory client is disadvantaged in regards to securities selection, trading, or Code of Ethics requirements.

Broker/Dealer

Pinnacle Investments, LLC

PCM is affiliated through common ownership and control with Pinnacle Investments, LLC ("PI"), an FINRA registered broker-dealer and SEC-registered investment adviser. PCM shares rent and certain administrative costs with PI. PCM may recommend PI to clients in need of brokerage services. Several officers and other employees of PCM are also registered as representatives of PI.

By executing a client transaction through PI, affiliates of PCM will receive separate, yet customary additional compensation. PI, through which PCM may execute client securities transactions, may from time to time refer clients to PCM. PCM may compensate PI for these client referrals through payment of an ongoing referral fee. PCM will not make commitments to compensate PI through brokerage or dealer transactions for client referrals; a conflict of interest, however, may arise between the client's interest in obtaining best price and execution and PCM's interest in receiving future referrals. Under such circumstances, clients should be aware of their various brokerage options as described in Item 12 below. PCM is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940. As such, appropriate disclosure shall be made, and all applicable Federal and State laws will be observed. While PCM endeavors at all times to put the interest of the clients first as part of its fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect judgment of PCM when making recommendations.

Steven Pickard, PCM's Chief Executive Officer, and Adam Drescher, a Financial Analyst with PCM, are employed by and may be compensated by PI.

Insurance Company

Confidential Planning Corporation, LLC (DBA Pinnacle Solutions)

PCM is affiliated through common ownership and control with Confidential Planning Corporation, LLC. Confidential Planning Corporation, LLC is a life insurance agent/agency. The services provided by Confidential Planning Corporation, LLC are separate and distinct from the advisory services provided by PCM, and are offered for separate compensation. PCM does not refer clients to Confidential Planning Corporation, LLC. Confidential Planning Corporation, LLC does not refer clients to PCM.

Unity Mutual Life Insurance Company

PCM is wholly owned by Pinnacle Holding Company, LLC, a holding company that is partially owned by Unity Mutual Life Insurance Company ("Unity"). PCM will not recommend insurance products to clients as part of its Investment Supervisory Services. Nevertheless, PCM may recommend Unity to advisory clients in need of insurance products or services. Conversely, Unity may recommend PCM to insurance customers in need of advisory services. No PCM client is obligated to use Unity for any insurance services and conversely, no insurance customer of Unity is obligated to use the advisory

services provided by PCM. Insurance services provided by Unity are separate and distinct from the advisory services of PCM, and are provided for separate and typical compensation.

Investment Advisers

Confidential Planning I, LLC

PCM is affiliated through common ownership and control with Confidential Planning I, LLC. Confidential Planning I, LLC is a SEC-registered investment adviser. The advisory services provided by Confidential Planning, LLC are separate and distinct from the advisory services provided by PCM, and are offered for separate compensation. PCM does not refer clients to Confidential Planning I, LLC. Confidential Planning I, LLC does not refer clients to PCM.

LakeWater Capital Management, LLC

PCM is a partial owner of LakeWater Capital Management, LLC ("LCM"). LCM manages the LakeWater Total Return Opportunity Fund, a private investment fund for accredited investors. As part of a Service Agreement between PCM and LCM, PCM provides back office operations, administrative support, compliance functions, IT infrastructure, human resource management, and employee benefits to LCM. In addition, PCM and LCM share office space, rent, and certain administrative costs. The services provided by LCM are separate and distinct from the advisory services provided by PCM, and are offered for separate compensation. PCM may refer clients to LCM; conversely, LCM may refer clients to PCM. PCM does not receive additional compensation from LCM for referral that result in investment in LCM's fund. While PCM endeavors at all times to put the interest of the clients first as part of its fiduciary duty, clients should be aware that PCM's partial ownership of LCM itself creates a conflict of interest, and may affect judgment of PCM when making recommendations.

Pinnacle Advisors, LLC

PCM is also affiliated with Pinnacle Advisors, LLC. Pinnacle Advisors is a SEC registered investment adviser. The advisory services provided by Pinnacle Advisors, LLC are separate and distinct from the advisory services provided by PCM, and are offered for separate compensation. PCM does not refer clients to Pinnacle Advisors, LLC, Pinnacle Advisors, LLC does not refer clients to PCM.

Pinnacle Investments, LLC

PCM is affiliated through common ownership and control with Pinnacle Investments, LLC ("PI"), an FINRA registered broker-dealer and SEC-registered investment adviser. See above for a discussion on PI.

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

Code of Ethics

All PCM employees 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 PCM's 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

Steven R. Pickard, Chief Compliance Officer, reviews all employee trades each quarter. His trades are reviewed by Stephen Fauer, Chief Investment Officer. These reviews ensure that personal trading does not affect the markets and that clients of PCM receive preferential treatment.

PCM 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 PCM's Code of Ethics by contacting Steven R. Pickard at (315) 234-9716 or invest@pcm-advisors.com.

Participation or Interest in Client Transactions and Personal Trading

Individuals associated with PCM may buy or sell securities for their personal accounts identical to or different than those recommended to clients. It is the expressed policy of PCM that no person employed by PCM shall prefer his or her own interest to that of an advisory or sub-advisory client or make personal investment decisions of advisory clients. To supervise compliance with its Code of Ethics, PCM 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 Chief Compliance Officer. PCM requires such access persons to also receive approval from the Chief Compliance Officer prior to investing in any individual stocks, bonds, IPOs or private placements (limited offerings).

PCM requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. PCM's 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

Research and Other Soft Dollar Benefits

PCM may receive research reports from various broker-dealers. The receipt of such reports is not directly connected to the recommendation of brokerage/custody service to advisory clients, but does create a possible conflict of interest of which clients should be aware in assessing PCM's recommendation. PCM does not engage in soft dollar arrangements with any broker in which it receives research or other benefits from a broker in exchange for paying higher commission costs. PCM may from time to time compensate, either directly or indirectly, any person (defined as a natural person or company) for client referrals. PCM is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by PCM and all applicable Federal and/or State laws will be observed. As disclosed in Item 10 and in this Item 12, PCM may compensate PI for client referrals to PCM through payment of an ongoing referral fee. PCM will not make commitments to compensate PI through brokerage

or dealer transactions for client referrals; a conflict of interest, however, may arise between the client's interest in obtaining best price and execution and PCM's interest in receiving future referrals.

Brokerage for Client Referrals

PI, through which PCM may execute client securities transactions, may from time to time refer clients to PCM. PCM may compensate PI for these client referrals through payment of an ongoing referral fee. PCM will not make commitments to compensate PI through brokerage or dealer transactions for client referrals; a conflict of interest, however, may arise between the client's interest in obtaining best price and execution and PCM's interest in receiving future referrals.

On occasion, PCM may receive a client referral from a broker-dealer (other than PI) that PCM uses to execute clients' securities transactions. PCM may use such broker-dealer subject to PCM's duty to seek best execution on clients' transactions. PCM does not direct commissions to compensate for referrals.

Directed Brokerage

As PCM will not typically have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct PCM as to the broker-dealer to be used. In directing the use of a particular broker or dealer, it should be understood that PCM will not have authority to negotiate commissions among various brokers or obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions paid by other clients. For clients in need of brokerage services, PCM will generally recommend the use of an affiliated broker-dealer, PI, with which it is affiliated through common control and ownership. Clients, however, are not under any obligation to affect trades through any recommended broker. The factors considered by PCM when making this recommendation are, among other factors, (i) the broker's ability to provide professional services; (ii) PCM's experience with the broker; (iii) the broker's reputation; and (iv) the broker's quality of execution services and cost of such services.

As part of the wrap fee program, all transactions in PCM SMAP will be executed by PI. As disclosed in Item 10 above, PI is a FINRA member broker-dealer affiliated through common ownership and control with PCM. Clients should be aware that by executing client transactions through PI, affiliates of PCM will receive separate, yet customary additional compensation. Clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of PCM when making recommendations. As an introducing broker-dealer, PI typically clears its transactions through National Financial Services, LLC (hereinafter "NFS"), a FINRA-registered broker-dealer and affiliate of Fidelity Brokerage Services, LLC. Thus, by recommending PI for brokerage services, PCM is also indirectly recommending NFS for broker-dealer services. PCM reserves the right to decline acceptance of any client account that directs the use of a broker-dealer if PCM believes that the broker-dealer would adversely affect PCM's fiduciary duty to the client and/or ability to effectively service the client portfolio.

Trade Aggregation

PCM may execute block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts. Transaction costs may or may not be shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows PCM to execute equity trades in a timelier, equitable manner and may reduce overall commission charges to clients. PCM may not be able to block trades for client accounts who direct the use of broker other than PI, and therefore a disparity in commission charges may exist between directed brokerage and discretionary brokerage clients.

Item 13: Review of Accounts

While the underlying securities within a client's account are continuously monitored, these accounts are also reviewed at least quarterly by PCM's investment management team or a member of PCM's Investment Management Team. Advisory accounts are reviewed in the context of each client's stated investment objectives and guidelines that may have been provided as well as investment product. Sub-advisory accounts are reviewed in the context of the portfolio strategy selected on PCM SMAP agreement or subsequent written instructions received from Adviser, client or the client's Financial Advisor. Changes in variables such as market, political, and/or economic circumstances, or changes in a client's individual financial objectives, circumstances, or portfolio strategy may trigger more frequent reviews.

In addition to the statements and transaction confirmations that Investment Supervisory Services clients receive from their broker-dealer and/or custodian, upon request, PCM will provide quarterly reports summarizing account performance, balances and holdings. In some cases, clients may receive more or less frequent reports if contracted for at the inception of the advisory relationship.

Item 14: Client Referrals and Other Compensation

As disclosed in Item 10, PCM may compensate PI for client referrals through the payment of an ongoing referral fee.

Additionally, PCM may enter into solicitation agreements with individuals who are independent contractors. PCM will pay finders' fees to these independent contractors on an ongoing basis as long as PCM manages the client accounts that were solicited. Clients that open accounts with PCM under this arrangement will receive disclosure documents detailing the arrangement at the time the account documents are signed and may pay fees that are greater than those shown in the Fee Schedules described in Item 5.

Item 15: Custody

Fee Debiting

Clients may authorize PCM (in the client agreement) to debit fees directly from the client's account at the broker-dealer, bank or other qualified custodian (custodian). Client investment assets will be held with a custodian agreed upon by the client and PCM. The custodian is advised in writing of the limitation of PCM's access to the account. The custodian sends a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to PCM.

While PCM will assist clients in establishing and maintaining accounts at the custodian, PCM shall have no responsibility or liability with respect to custodial arrangements or the acts, omissions or other conduct of the custodian.

Account Statements

As described above and in Item 13, clients receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodian records to the account statements or other reports that PCM provides. PCM statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16: Investment Discretion

For discretionary clients, PCM requests that it be provided with written authority to determine which securities and the amounts of securities that are bought and sold. From time to time, clients may also provide PCM with written authority to determine the broker-dealer to use for client transactions and the commission costs that will be charged to our clients for these transactions. Any limitations on the discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

Although PCM will typically not accept discretionary brokerage authority on behalf of its clients, certain clients may, from time to time, provide PCM with written authority to determine the broker-dealer to use client transactions and the commission costs that will be charged to our clients for these transactions. For these clients, PCM will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research, financial responsibility, responsiveness to PCM, and other service attributes which will help PCM in providing investment management services to clients. PCM may, therefore, recommend (or use) a broker who provides useful securities transaction services even though a lower commission may be charged by a broker which PCM believes offers less securities transaction assistance. Research services may be useful in servicing all our clients, and not all such research may be useful for the account for which the particular transaction was effected. As disclosed above, PI is a FINRA member broker-dealer affiliated through common ownership and control with PCM. PCM may execute client securities transactions through PI pursuant to its discretionary authority granted by the client. Clients should be aware that by executing client transactions through PI, affiliates of PCM receive separate, yet customary additional compensation. Clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of PCM when making recommendations. Moreover, PCM may, from time to time, compensate PI for client referrals through payment of an ongoing referral fee. PCM will not make commitments to compensate PI through brokerage or dealer transactions for client referrals; a potential conflict of interest, however, may arise between the client's interest in obtaining best price and execution and PCM's interest in receiving future referrals. Under such circumstances, clients should be aware of their various brokerage options, including utilizing the services of the referring broker, choosing another broker via a "Directed Brokerage" arrangement (as described above), or utilizing another firm recommendation by PCM to provide custody and execution services. PCM is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940. As such, appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

Item 17: Voting Client Securities

As a matter of firm policy and practice, PCM does not generally have any authority to and does not vote proxies on behalf of advisory clients unless specifically contracted for by the client. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in the client portfolios. However, PCM may provide advice to clients regarding the clients' voting of proxies.

Insofar as PCM is obligated to vote proxies for its clients the following policies apply:

PCM, as a matter of policy and as a fiduciary to our clients, has responsibility for voting proxies for portfolio securities consistent with the best economic interests of the clients. Our firm maintains written policies and procedures as to the handling, research, voting and reporting of proxy voting and makes appropriate disclosures about our firm's proxy policies and practices. Our policy and practice includes the

responsibility to monitor corporate actions, receive and vote client proxies and disclose any potential conflicts of interest as well as making information available to clients about the voting of proxies for their portfolio securities and maintaining relevant and required records. In the absence of specific voting guidelines from the client, PCM will vote proxies in the best interests of each particular client. PCM's policy is to vote all proxies from a specific issuer the same way for each client absent qualifying restrictions from a client. Clients are permitted to place reasonable restrictions on PCM's voting authority in the same manner that they may place such restrictions on the actual selection of account securities.

PCM will identify any conflicts that exist between the interests of the adviser and the client by reviewing the relationship of PCM with the issuer of each security to determine if PCM or any of its employees has any financial, business or personal relationship with the issuer. If a material conflict of interest exists, Stephen Fauer will determine whether it is appropriate to disclose the conflict to the affected clients, to give the clients an opportunity to vote the proxies themselves, or to address the voting issue through other objective means such as voting in a manner consistent with a predetermined voting policy or receiving an independent third party voting recommendation. PCM will maintain a record of the voting resolution of any conflict of interest.

Clients may request a full copy of this policy or information regarding how proxies relating to their securities were voted by contacting Steven Fauer at (315) 234-9716 or invest@pcm-advisors.com.

Item 18: Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about PCM's financial condition. PCM has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

PCM is not required to provide a balance sheet; PCA does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

Pinnacle Capital Management, LLC
Form ADV Part 2B
Investment Adviser Brochure Supplement

March 31, 2011

Supervisors: Steven R. Pickard and Stephen J. Fauer

Supervisors of:
Kevin R. McClelland
Adam J. Drescher

This brochure supplement provides information about the Firm's Supervised Persons that supplements Pinnacle Capital Management, LLC's brochure. You should have received a copy of that brochure. Please contact Steven R. Pickard if you did not receive Pinnacle Capital Management, LLC's brochure or if you have any questions about the contents of this supplement.

Additional information about the Firm's Supervised Persons is also available on the SEC's website at www.adviserinfo.sec.gov.

100 Limestone Plaza
Fayetteville, New York 13066
(315) 234-9716
www.pcm-advisors.com

Educational Background and Business Experience

Advisory persons associated with PCM must possess, minimally, a college degree and/or appropriate business experience and all required licenses.

Supervised Persons

Stephen J. Fauver, CFA, Chief Investment Officer (since 2006), was born in 1959, and holds a Masters of Business Administration (MBA) from New York University Stern School of Business (1984) and a Bachelor of Science (BS), System Science, Michigan State University (1981). From 2004 to 2006, Mr. Fauver was Director of Research at J.W. Burns & Company, Inc. Mr. Fauver earned the professional distinction Chartered Financial Analyst (CFA) in 1987.

Steven R. Pickard, Chief Executive Officer (since 2008), was born in 1980. He graduated in 2002 from Mercyhurst College with a Bachelor of Arts in Finance. Mr. Pickard has been a financial advisor with Pinnacle Investments, LLC since 2004. His professional exam qualifications include: Accredited Asset Management Specialist, College of Financial Planning (2002); the Series 24, General Securities Principal Examination; the Series 7, General Securities Representative Examination; the Series 66, State Securities Agent Examination; New York State Insurance License for Life, Accident and Health.

Kevin R. McClelland, Financial Analyst (since 2010), was born in 1986 and received a Bachelor of Science in Finance from Providence College in 2008. Mr. McClelland was a business analyst with Pinnacle Investments, LLC from 2008 to 2010.

Adam J. Drescher, Financial Analyst (since 2010), was born in 1988 and received a Bachelors of Science in Applied Economics from Ithaca College in 2010. Mr. Drescher's professional exam qualifications include the Series 7, General Securities Representative.

Disciplinary Information

Neither PCM nor any Supervised Person have been involved in any activities resulting in a disciplinary disclosure.

Other Business Activities

A discussion on other business activities, compensation received and any material conflicts is provided in Form ADV Part 2A Item 10.

Additional Compensation

A discussion of additional compensation is provided in Form ADV Part 2A Item 10.

Supervision

Steven R. Pickard, Chief Executive Officer and Chief Compliance Officer, and Stephen J. Fauer, Chief Investment Officer, supervise all persons named in this Form ADV Part 2B Investment Adviser Brochure Supplement. Messrs. Fauer and Pickard supervise these persons by holding regular staff, investment and other ad hoc meetings. In addition Mr. Pickard, as Chief Compliance Officer, regularly reviews client reports, e-mails, and trading as well as employees' personal securities transactions and holding reports. Mr. Pickard may be reached at (315) 234-9716 or invest@pcm-advisors.com.