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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER  
8-42415

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT AS OF 12/31/08  
MM/DD/YY

A. REGISTRANT IDENTIFICATION

OFFICIAL USE ONLY  
FIRM ID. NO.

NAME OF BROKER-DEALER:

CUTLER GROUP, L.P.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

220 Montgomery Street, Suite 600  
(No. and Street)

San Francisco  
(City)

California  
(State)

94104  
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Nader Sharabati

(415) 293-3960  
(Area Code - Telephone No)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ryan & Juraska, Certified Public Accountants  
(Name - if individual, state last, first, middle name)

141 West Jackson Boulevard, Suite 2250  
(Address)

Chicago  
(City)

Illinois  
(State)

60604  
(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

BD  
3/17

## OATH OR AFFIRMATION

I, Nader Sharabati, swear (or affirm) that, to the best of my knowledge and belief, the accompanying financial statement and supporting schedules pertaining to the firm of Cutler Group, L.P., as of December 31, 2008 are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

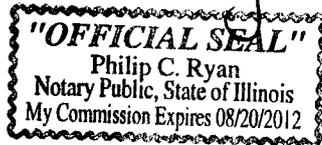
\_\_\_\_\_  
None  
\_\_\_\_\_

  
\_\_\_\_\_  
Signature

\_\_\_\_\_  
Chief Financial Officer  
Title

Subscribed and sworn to before me this

25<sup>th</sup> day of February, 2009



  
\_\_\_\_\_  
Notary Public

This report\*\* contains (check all applicable boxes)

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors.
- (g) Computation of Net Capital for Brokers and Dealers pursuant to Rule 15c3-1.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditors' Report on Internal Accounting Control.
- (p) Schedule of Segregation Requirements and Funds in Segregation – Customers' Regulated Commodity Futures Accounts Pursuant to CFTC Rule 1.10(d)2(iv).

\*\*For conditions of confidential treatment of certain portions of this filing, see Section 240.17a-5(e)(3).



**RYAN & JURASKA**  
Certified Public Accountants  
141 West Jackson Boulevard  
Chicago, Illinois 60604  
Tel: 312.922.0062  
Fax: 312.922.0672

## INDEPENDENT AUDITORS' REPORT

To the Partners of  
Cutler Group, L.P.

We have audited the accompanying statement of financial condition of Cutler Group, L.P. (the "Partnership") as of December 31, 2008, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of Cutler Group, L.P. as of December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statement taken as a whole. The information contained in the supplementary schedules is presented for purposes of additional analysis and is not a required part of the basic financial statement, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statement and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statement taken as a whole.

*Ryan & Juraska*

Chicago, Illinois  
February 24, 2009

**CUTLER GROUP, L.P.**  
**(A California Limited Partnership)**

**STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2008**

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**ASSETS**

Cash and cash equivalents	\$ 6,922,827
Receivable from broker-dealer	61,841,514
Securities owned, at fair value	496,641,169
Other receivable	597,996
Exchange memberships, at cost (fair value \$3,500,000)	494,000
Furniture and equipment (net of accumulated depreciation of \$1,062,402)	412,777
Other assets	<u>26,339</u>
	<u>\$ 566,936,622</u>

**LIABILITIES AND PARTNERS' CAPITAL**

<b>Liabilities</b>	
Payable to broker-dealer	\$ 395,491
Securities sold, not yet purchased, at fair value	516,987,152
Accounts payable and accrued expenses	<u>2,029,856</u>
	<u>519,412,499</u>
<b>Partners' capital</b>	
General partner	1,186,335
Limited partners	<u>46,337,788</u>
	<u>47,524,123</u>
	<u>\$ 566,936,622</u>

See accompanying notes.

**CUTLE R GROUP, L.P.**  
**(A California Limited Partnership)**

**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**December 31, 2008**

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**1. Organization**

Cutler Group, L.P. (the "Partnership"), a California limited partnership, was organized on February 1, 1994. The Partnership is a broker-dealer registered with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority and the Chicago Board Options Exchange (the "CBOE"). The Partnership is a market maker on the NASDAQ OMX and the CBOE and engages primarily in the proprietary trading of exchange-traded equity securities and equity options contracts.

The Partnership's general partner is Trent Cutler Capital, LLC (the "General Partner"). The General Partner conducts and manages the business of the Partnership.

**2. Summary of Significant Accounting Policies**

Revenue Recognition and Securities Valuation

Securities transactions and related revenue and expenses are recorded on a trade date basis. Securities owned and securities sold, not yet purchased are recorded in the statement of financial condition at fair value in accordance with Statement of Financial Accounting Standards No. 157, with related unrealized profit or loss included in net trading gain in the statement of operations.

Income Taxes

No provision has been made for federal income taxes, as the taxable income of the partnership is included in the respective income tax returns of the partners.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Depreciation

Depreciation of furniture and computer equipment is computed using the straight-line method for financial reporting and the straight line and accelerated methods for income tax purposes.

Cash Equivalents

Cash equivalents consist of money market deposits with maturities of less than three months.

**CUTLER GROUP, L.P.**  
**(A California Limited Partnership)**

**NOTES TO STATEMENT OF FINANCIAL CONDITION, Continued**  
**December 31, 2008**

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**3. Partnership Agreement**

Profit and Loss Allocations

All profits and losses are allocated quarterly, after allocations to the Self-Backed Traders (see Note 6), subject to the following:

- a. "Designated Net Profits" and "General Net Profits", as defined in the Partnership's Agreement of Limited Partnership, shall first be allocated to limited partners in proportion to their respective ownership percentages as of the first day of each calendar quarter to remove unrecouped "Designated Net Losses" and "General Net Losses", as defined in the Partnership's Agreement of Limited Partnership, for such limited partners.
- b. Class B Limited Partners, as defined in the Partnership's Agreement of Limited Partnership, are allocated all remaining Designated Net Profits and Designated Net Losses in proportion to their respective Class B percentage interest. After the allocation to the Class B Limited Partners, the remaining Designated Net Profits and Designated Net Losses are allocated in the same manner as General Net Gains and General Net Losses. Class B Limited Partners are allocated 1% of all remaining General Net Profits, after the allocation for unrecouped General Net Losses, and General Net Losses in proportion to their respective Class B interest.
- c. After the 1% allocation to Class B Limited Partners, the General Partner will be allocated 39.5% of remaining General Net Profits and General Net Losses. The General Net Profits and General Net Losses remaining each calendar quarter after the 39.5% allocation to the General Partner are then allocated to the Class A Limited Partners, as defined in the Partnership's Agreement of Limited Partnership, and the General Partner in proportion to their respective ownership percentages as of the first day of such calendar quarter. The General Partner's allocation is credited to the General Partner's capital account as of the end of each calendar quarter. However, it is not withdrawable by the General Partner until the end of each calendar year. The General Partner's allocation is subject to recoupment by the limited partners in a subsequent calendar quarter within the same calendar year where there is a loss in such subsequent calendar quarter.

**4. Distributions and Withdrawals**

The Partnership is not required to make distributions, but may do so at the discretion of the General Partner. A limited partner may request a withdrawal of his or her entire capital account, or any portion thereof, as of the end of any calendar quarter, by giving 30 days prior written notice to the General Partner; provided that the limited partner maintained his or her investment for a minimum one year period. The General Partner may accept withdrawal requests of shorter notice at its discretion.

**CUTLER GROUP, L.P.**  
**(A California Limited Partnership)**

**NOTES TO STATEMENT OF FINANCIAL CONDITION, Continued**  
**December 31, 2008**

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**5. Credit Concentration**

At December 31, 2008, a significant credit concentration consisted of approximately \$41.1 million, representing the market value of the Partnership's trading accounts carried by its clearing broker, Merrill Lynch Professional Clearing Corp. Management does not consider any credit risk associated with this net receivable to be significant.

At December 31, 2008 a significant credit concentration consisted of cash deposited in bank accounts that exceeded federally insured limits by approximately \$6,423,000 which represents approximately 14% of the Company's equity. The Company has not experienced any losses in such accounts. Management believes the Company is not exposed to any significant credit risk on cash.

**6. Agreements and Related-Party Transactions**

The Partnership has a Joint Back Office ("JBO") clearing agreement with Merrill Lynch Professional Clearing Corp. ("ML-PRO"). The agreement allows JBO participants to receive favorable margin treatment as compared to the full customer margin requirements of Regulation T. As part of this agreement, the Partnership has invested \$20,000 in the preferred shares of ML-PRO. The Partnership's investment in ML-PRO is reflected in other assets in the statement of financial condition. Under the rules of the Financial Industry Regulatory Authority, the agreement requires that the Partnership maintain a minimum net liquidating equity of \$1 million with ML-PRO, exclusive of its preferred stock investment.

The Partnership has entered into trading agreements with certain of its traders (the "Self-Backed Traders"). Under these agreements, the Self-Backed Traders have agreed contribute capital to fund their trading activities. The Self-Backed Traders receive a percentage of the "net revenues" (trading gains less expenses) of their respective trading accounts, as defined in the trading agreements. Such allocations are credited to the respective limited partner capital accounts of the Self-Backed Traders. The Self-Backed Traders' profit allocations are deducted from total partnership income before determining the net profit or loss to be allocated to the partners on a pro rata basis. At December 31, 2008, the Self-Backed Traders' capital totaled approximately \$30,084,000 of the total partnership capital of \$47,524,123.

**CUTLER GROUP, L.P.**  
**(A California Limited Partnership)**

**NOTES TO STATEMENT OF FINANCIAL CONDITION, Continued**  
**December 31, 2008**

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**7. Derivative Financial Instruments and Off-Balance Sheet Risk**

In the normal course of business the Partnership enters into transactions in derivative financial instruments and other financial instruments with off-balance sheet risk that include exchange-traded equity and index options and short stocks. All derivative instruments are held for trading purposes. All positions are reported in the accompanying statement of financial condition at market value and gains and losses from derivative financial instruments are included in trading gains in the statement of operations.

Options grant the purchaser, for the payment of a premium, the right to either purchase from or sell to the writer a specified instrument under agreed terms. As a writer of options, the Partnership receives a premium in exchange for bearing the risk of unfavorable changes in the price of the financial instruments underlying the options.

Securities sold, not yet purchased, represent obligations of the Partnership to deliver specified securities and thereby create a liability to repurchase the securities in the market at prevailing prices. These transactions may result in off-balance sheet risk as the Partnership's ultimate obligation to satisfy its obligation for securities sold, not yet purchased may exceed the amount recognized in the statement of financial condition.

Risk arises from the potential inability of counterparties to perform under the terms of the contracts (credit risk) and from changes in the values of the underlying financial instruments (market risk). The Partnership is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Partnership attempts to minimize its exposure to credit risk by monitoring brokers with which it conducts investment activities. In management's opinion, market risk is substantially diminished when all financial instruments are aggregated.

**8. Net Capital Requirements**

The Partnership is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15(c)3-1) and various exchange rules. Under the highest requirement, the Partnership is required to maintain "net capital" equal to the greater of \$1,000,000 or 6 and  $\frac{2}{3}$ % of "aggregate indebtedness", as defined.

At December 31, 2008, the Partnership had net capital and net capital requirements of \$25,546,130 and \$1,000,000, respectively.

**CUTLER GROUP, L.P.**  
**(A California Limited Partnership)**

**NOTES TO STATEMENT OF FINANCIAL CONDITION, Continued**  
**December 31, 2008**

**9. Fair Value Disclosure**

The Partnership adopted Statement of Financial Accounting Standards No. 157 ("SFAS No. 157") as of January 1, 2008, which requires, among other things, enhanced disclosures about investments that are measured and reported at fair value. SFAS No. 157 establishes a hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

**Level 1 Inputs** - quoted prices in active markets for identical assets or liabilities at the reporting date.

**Level 2 Inputs** - other than quoted prices included with Level 1 that are observable for substantially the full term of the asset or liability, either directly or indirectly. Level 2 assets include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies.

**Level 3 Inputs** - unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation.

The following table presents the Partnership's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2008:

	<b>Level 1</b>	
	<b>Assets</b>	<b>Liabilities</b>
	<b>Securities Owned</b>	<b>Securities Sold, Not Yet Purchased</b>
<b>Stocks</b>	\$ 218,733,587	\$ 260,224,293
<b>Options</b>	277,907,582	256,762,859
	\$ 496,641,169	\$ 516,987,152

At December 31, 2008, the Partnership did not have any level 2 or 3 investments.

**SUPPLEMENTAL SCHEDULES**

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART III**

**BROKER OR DEALER: CUTLER GROUP, L.P.**

as of **December 31, 2008**

**COMPUTATION OF NET CAPITAL**

1.	Total ownership (from Statement of Financial Condition- Item 1800)	\$ 47,524,123	[3480]
2.	Deduct: Ownership equity not allowable for net capital	(18,946,892)	[3490]
3.	Total ownership equity qualified for net capital	\$ 28,577,231	[3500]
4.	Add:		
	A. Liabilities subordinated to claims of general creditors allowable in computation of net capital	_____	[3520]
	B. Other (deductions) or allowable subordinated liabilities	_____	[3525]
5.	Total capital and allowable subordinated liabilities	\$ 28,577,231	[3530]
6.	Deductions and/or charges:		
	A. Total non-allowable assets from Statement of Financial Condition (Note B and C) (See detail below)	\$ 1,529,441	[3540]
	1. Additional charges for customers' and non-customers' security accounts	_____	[3550]
	2. Additional charges for customers' and non-customers' commodity accounts	_____	[3560]
	B. Aged fail-to-deliver	_____	[3570]
	1. Number of items	_____ [3450]	
	C. Aged short security differences- less reserved of	_____ [3460]	[3580]
	2. Number of items	_____ [3470]	
	D. Secured demand note deficiency	_____	[3590]
	E. Commodity futures contract and spot commodities proprietary capital charges	_____	[3600]
	F. Other deductions and/or charges	_____	[3610]
	G. Deductions for accounts carried under Rule 15c3-1(a)(6), (a)(7)and (c)(2)(x)	_____	[3615]
	H. Total deduction and/or charges	\$ (1,529,441)	[3620]
7.	Other additions and/or allowable credits (List)	_____	[3630]
8.	Net Capital before haircuts on securities positions	\$ 27,047,790	[3640]
9.	Haircuts on securities (computed, where applicable pursuant to 15c3-1(f)):		
	A. Contractual securities commitments	_____	[3660]
	B. Subordinated securities borrowings	_____	[3670]
	C. Trading and Investment securities		
	1. Bankers' acceptance, certificates of deposit, and commercial paper	_____	[3680]
	2. U.S. and Canadian government obligations	_____	[3690]
	3. State and municipal government obligations	_____	[3700]
	4. Corporate obligations	_____	[3710]
	5. Stocks and warrants	_____	[3720]
	6. Options	\$ 1,501,660	[3730]
	7. Arbitrage	_____	[3732]
	8. Other securities	_____	[3734]
	D. Undue concentration	_____	[3650]
	E. Other (List)	_____	[3736]
10.	Net Capital	\$ 25,546,130	[3750]
		OMIT PENNIES	

**Non-Allowable Assets (line 6.A):**

Other receivable	\$	597,996
Exchange memberships, at cost		494,000
Fixed assets, net		412,777
Other assets		24,668
	\$	<u>1,529,441</u>

Note: There are no material differences between the audited computation of net capital and that per the Partnership's unaudited FOCUS report as filed

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT  
PART III**

**BROKER OR DEALER: CUTLER GROUP, L.P.**

as of **December 31, 2008**

**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT**

<b>Part A</b>			
11.	Minimum net capital required (6-2/3% of line 19)	\$ <u>135,324</u>	[3756]
12.	Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$ <u>1,000,000</u>	[3758]
13.	Net capital requirement (greater of line 11 or 12)	\$ <u>1,000,000</u>	[3760]
14.	Excess net capital (line 10 less 13)	\$ <u>24,546,130</u>	[3770]
15.	Excess net capital at 1000% (line 10 less 10% of line 19)	\$ <u>25,343,144</u>	[3780]

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16.	Total A.I. liabilities from Statement of Financial Condition	\$ <u>2,029,856</u>	[3790]
17.	Add:		
	A. Drafts for immediate credit	_____ [3800]	
	B. Market value of securities borrowed for which no equivalent value is paid or credited	_____ [3810]	
	C. Other unrecorded amounts (List)	_____ [3820]	[3830]
18.	Deduct: Adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	_____	[3838]
19.	Total aggregate indebtedness	\$ <u>2,029,856</u>	[3840]
20.	Percentage of aggregate indebtedness to net capital (line 19 ÷ by line 10)	_____ 7.95%	[3850]
21.	Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	_____	[3860]

**COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**

<b>Part B</b>			
22.	2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c-3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries debits	_____	[3870]
23.	Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	_____	[3880]
24.	Net capital requirement (greater of line 22 or 23)	_____	[3760]
25.	Excess net capital (line 10 less 24)	_____	[3910]
26.	Percentage of Net Capital to Aggregate Debits (line 10 ÷ by line 17 page 8)	_____	[3851]
27.	Percentage of Net Capital, <u>after</u> anticipated capital withdrawals, to Aggregate Debits (line 10 less item 4880, page 11 ÷ by line 17 page 8)	_____	[3854]
28.	Net capital in excess of: 5% of combined aggregate debit items or \$300,000	_____	[3920]

**OTHER RATIOS**

<b>Part C</b>			
29.	Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	_____	[3860]
30.	Options deductions/Net Capital ratio (1000% test) total deductions exclusive of liquidating equity under Rule 15c3-1(a)(6), (a)(7) and (c)(2)(x) ÷ Net Capital	_____	[3852]

**NOTES:**

- A. The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
  1. Minimum dollar net capital requirement, or
  2. 6-2/3% of aggregate indebtedness or 2% of aggregate debits if alternative method is used.
- B. Do not deduct the value of securities borrowed under subordination agreements of secured demand notes covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of Partnership (contra to item 1740) and partners securities which were included in non-allowable assets.
- C. For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

**CUTLER GROUP, L.P.**  
**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS**  
**PURSUANT TO RULE 15c3-3**  
**December 31, 2008**

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The Partnership did not handle any customer cash or securities during the year ended December 31, 2008 and does not have any customer accounts.

**CUTLER GROUP, L.P.**  
**COMPUTATION FOR DETERMINATION OF PAIB RESERVE REQUIREMENTS**  
**PURSUANT TO RULE 15c3-3**  
**December 31, 2008**

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The Partnership did not handle any proprietary accounts of introducing brokers during the year ended December 31, 2008 and does not have any PAIB accounts.

**CUTLER GROUP, L.P.**  
**INFORMATION RELATING TO THE POSSESSION OR CONTROL**  
**REQUIREMENTS UNDER RULE 15c3-3**  
**December 31, 2008**

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The Partnership did not handle any customer cash or securities during the year ended December 31, 2008 and does not have any customer accounts.



**RYAN & JURASKA**

Certified Public Accountants

141 West Jackson Boulevard  
Chicago, Illinois 60604

Tel: 312.922.0062

Fax: 312.922.0672

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL**

To the Partners of  
Cutler Group, L.P.

In planning and performing our audit of the financial statements of Cutler Group, L.P. (the "Partnership") as of December 31, 2008, we considered its internal control structure, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Partnership, including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Partnership does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Partnership in any of the following:

- (1) Making quarterly securities examinations, counts, verifications, and comparisons
- (2) Recordation of differences required by Rule 17a-13
- (3) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Partnership is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Partnership has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statement in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Partnership's practices and procedures were adequate at December 31, 2008 to meet the SEC's objectives.

This report is intended solely for the information and use of management, the SEC, the Financial Industry Regulatory Authority and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Ryan & Juraska*

Chicago, Illinois  
February 24, 2009

**CUTLER GROUP, L.P.**  
**(A California Limited Partnership)**

**STATEMENT OF FINANCIAL CONDITION  
AND SUPPLEMENTARY SCHEDULES  
PURSUANT TO SEC RULE 17a-5(d)**

**December 31, 2008**  
**AVAILABLE FOR PUBLIC INSPECTION**