

Item 1 – Cover Page



Cutler Investment Counsel, LLC

525 Bigham Knoll, Jacksonville, OR 97530

541-770-9000

www.cutler.com

06/06/2016

This Brochure provides information about the qualifications and business practices of Cutler Investment Counsel, LLC. If you have any questions about the contents of this Brochure, please contact us at (541) 770-9000. 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.

Cutler Investment Counsel, LLC [Cutler] is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any particular level of skill or training. The oral and written communications with Cutler provide you with the information necessary to determine whether to hire or retain an Adviser.

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

Item 2 – Material Changes

Since our March 2016 ADV was produced, there have been no material changes made to this Brochure.

There are two non-material changes regarding consulting compensation for Ardeth Hollo and clarification as to Cutler's sources of income.

Our Brochure may be requested by contacting Carol Fischer, Director of Client Relations, at (541) 770-9000 or carol@cutler.com.

Additional information about Cutler Investment Counsel, 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 Cutler who are registered, or are required to be registered, as investment adviser representatives of Cutler.

Item 3 -Table of Contents

Item 1 – Cover Page	i
Item 2 – Material Changes	ii
Item 3 -Table of Contents.....	iii
Item 4 – Advisory Business	4
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-By-Side Management	7
Item 7 – Types of Clients	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9 – Disciplinary Information	10
Item 10 – Other Financial Industry Activities and Affiliations.....	10
Item 11 – Code of Ethics	11
Item 12 – Brokerage Practices	12
Item 13 – Review of Accounts	16
Item 14 – Client Referrals and Other Compensation.....	16
Item 15 – Custody.....	17
Item 16 – Investment Discretion	17
Item 17 – Voting Client Securities	17
Item 18 – Financial Information	18

Item 4 – Advisory Business

Cutler Investment Counsel, LLC is an investment advisory firm founded in 2003. Cutler is headquartered in Jacksonville, Oregon and the majority of our voting shares are held by Brooke Cutler Ashland. Cutler provides the following services:

- Individual investment portfolios, using a full spectrum of asset classes and different types of securities (for example stocks and bonds). These investment programs are referred to as Cutler's Lifestyle Portfolios. Cutler employees advise clients on which investment portfolio may be most suitable for them.
- Investment advice and portfolio management for 401(k) plans. We refer to this as Cutler's emPlan platform.
- Dividend-based equity strategy for individuals, institutions, and foundations. This strategy, called Cutler's Equity Income Strategy, buys large US-based companies with a defined dividend history.
- Emerging markets equity strategy for individuals, institutions, and foundations. This strategy is currently not offered outside of the Cutler Emerging Markets Mutual Fund. It invests into large foreign companies with an emphasis on dividend history.
- Intermediate Fixed Income Strategy: for individuals, institutions, and foundations. This strategy, called Cutler's Intermediate Fixed Income Strategy, invests primarily in investment grade US Corporates, Agencies, and Treasuries, among others.
- Cash Management Strategy: is designed with our institutional clients in mind as a means to enhance their portfolio income. This strategy is customized to the particular institution's needs; portfolios can be designed to accommodate credit quality mandates or specific maturity calendars.
- Investment Adviser to the Cutler Trust. These are affiliated mutual funds managed in the Equity Income Strategy (CALEX), Emerging Markets Strategy (CUTDX), and the Intermediate Fixed Income Strategy (CALFX) highlighted above. Cutler provides asset allocation services to those clients not receiving individualized investment portfolios, but rather are investing in the Cutler Trust mutual funds ("Cutler Direct"). Cutler has developed five allocation models whereby the allocations for each model are pre-determined by the firm. Clients may also customize and/or place reasonable restrictions allowing clients to allocate assets across the various mutual funds in any combination they choose. Cutler shall periodically review the models to ensure assets are properly allocated across the eligible investment options, and that the allocation remains suitable for the client. Cutler does not charge an additional fee for these services.

Cutler will occasionally customize the above strategies, depending on the needs of certain clients. For example, clients might place restrictions on the types of securities their account may own, or prohibit the purchase of a particular security. Cutler will accommodate those requests when possible, and invest the rest of the account according to our portfolio manager's discretion.

At the onset of the client relationship, Cutler obtains each client's investment objectives, risk tolerance, and other information relating to the client's overall financial circumstances ("Investment Guidelines"), which is used to determine the suitable portfolio asset allocation and investment strategy for the client. Cutler does not assume any responsibility for the accuracy of such information provided by the client, is not obligated to verify any information received from a client or from a client's other professionals (e.g., attorney, accountant, etc.), and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying Cutler in writing of any material changes to their Investment Guidelines. In the event that a client notifies Cutler of changes in such information, Cutler will review the changes and recommend any necessary revisions to the client's portfolio.

Cutler also offers financial consulting services to introduce clients to discretionary investment management. These services vary in scope, depending on the needs of the individual client(s), but can include retirement planning discussions and referrals to other financial professionals such as CPAs and estate attorneys.

Cutler often helps clients manage cash flows with regular withdrawals, and may take taxes into consideration for clients with substantial tax liabilities. Cutler does not provide tax advice to clients.

Cutler participates in several dual-contract relationships, where Cutler has a mutual client with another investment advisory firm or broker-dealer. The management of these accounts does not deviate substantially from the accounts that directly invest with Cutler in similar strategies. For Cutler clients having dual contracts with other broker-dealers or investment advisers, additional fees will be assessed by the broker dealer or investment adviser. You should discuss Cutler's strategy's suitability with your broker-dealer or investment adviser relationship manager before investing with Cutler.

Assets Under Management

As of 12/31/2015 Cutler managed client portfolios totaling \$899,443.260. Discretionary assets totaled \$814,812,613 and non-discretionary assets totaled \$84,630,647.

In addition, Cutler advised on UMA assets of \$44,334,717 which are primarily invested in our Equity Income Strategy.

Item 5 – Fees and Compensation

Cutler's fee schedule is stated below. Fees are subject to negotiation. The specific manner in which investment advisory fees are charged by Cutler is established in a client's written agreement with Cutler. Except as otherwise agreed to in writing, Cutler charges an annualized management fee based on a percentage of assets under management (AUM). This annualized fee is applied to an average AUM of the last trading day of each month during the quarter. Assets are valued in such manner as reasonably determined in good faith by Cutler to reflect the fair market value thereof.

Clients generally authorize Cutler to directly debit fees from their account(s), however, in

certain circumstances, Cutler may elect to invoice clients for their investment management fees. Unless otherwise agreed to, Cutler does not provide invoices to those accounts whose fees are direct debited. Please refer to your custodial statement to review actual fees paid. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee and upon termination of any account, any earned, unpaid fees will be due and payable.

Cutler's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients will incur certain charges imposed by custodians, brokers, and other third parties fees such as those charged by outside investment managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees and other operating expenses, which are disclosed in a fund's prospectus. Item 12 (below), further describes the factors that Cutler considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Clients who invest in a Cutler affiliated mutual fund also pay total operating fees at the prevailing rate as outlined in each affiliated fund's prospectus. A portion of those fees include a management fee that is paid to Cutler. The current annual management fee paid to Cutler is 0.75% for the Cutler Equity Fund, 0.85% for the Cutler Emerging Markets Fund, and 0.50% for the Cutler Fixed Income Fund. Certain fee waivers may apply as indicated in the fund prospectus. The management fee is accrued daily and paid to Cutler monthly in arrears.

Clients should understand that all the fees and any other charges described in the above paragraph are generally paid out of the assets in the client's account and are in addition to the investment management fees charged by Cutler. It is important that clients review the fees charged to their account(s) to fully understand the total amount of all fees charged. Clients should understand that lower fees for comparable services may be available from other advisory firms.

For individually managed accounts, Cutler charges the following fees:

Assets Under Management	Fee
< \$2,000,000	1.25%
2,000,000 - \$5,000,000	1.00%
> \$5,000,000	Negotiable

For 401(k) accounts, Cutler charges the following fees:

Assets Under Management	Fee
<\$1,000,000	1.00%
\$1,000,000 – \$2,000,000	0.80%
>2,000,000	0.60%

We charge a minimum fee of \$2000 per year for ERISA/retirement accounts.

Fees are collected quarterly in arrears, which produces a compounding effect on the total rate of return net of management fees. As an example, the effect of investment management fees on the

total value of a client's portfolio assuming (a) [\$1,000,000] investment, (b) portfolio return of [8%] a year, and (c) [1.00%] annual investment advisory fee would be [\$10,416] in the first year, and cumulative effects of [\$59,816] over five years and [\$143,430] over ten years. Actual investment advisory fees incurred by clients will vary.

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

Cutler does not charge any performance-based fees (fees based on sharing of capital gains on or capital appreciation of the assets of a client).

Item 7 – Types of Clients

Cutler provides investment management services to individuals (including high net worth individuals), corporate pension and profit-sharing plans (including 401k plans), corporations, charitable institutions, foundations, endowments, registered affiliated mutual funds, trusts, and government entities. For accounts with less than \$150,000 we generally recommend our “Cutler Direct” strategies (as described above in Section 4). Accounts with more than \$150,000, or special circumstances, generally receive a recommendation of a “Cutler Lifestyle” strategy or an individual portfolio in our Equity Income strategy (as described above in Section 4). Cutler offers an Enhanced Cash product for institutional investors with no stated minimum, however, generally we only offer this product to accounts with greater than \$5 million.

If a client's account is a pension or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), Cutler may be a fiduciary to the plan. In providing investment advisory services, the sole standard of care imposed upon Cutler is to act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. Cutler will provide certain required disclosures to the “responsible plan fiduciary” (as such term is defined by ERISA) in accordance with Section 408(b)(2), regarding the services Cutler provides and the direct and indirect compensation Cutler receives by such clients. Generally, these disclosures are contained in this Form ADV Part 2A, the client Agreement and/or in separate ERISA disclosure documents, and are designed to enable the ERISA plan's fiduciary to: (1) determine the reasonableness of all compensation received by Cutler; (2) identify any potential conflicts of interests; and (3) satisfy reporting and disclosure requirements to plan participants.

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

Investing in securities involves risk of loss that clients should be prepared to bear. Cutler uses different tools to generate its respective client portfolios.

For the Equity Income Strategy, Cutler uses “screens” to create an approved list of securities. These screens include a significant dividend history (which is measured by the company’s past dividend payments) and minimum market capitalization (which is a measure of the size of the company determined by the number of outstanding shares multiplied by the price of the stock). The Equity Income portfolio is produced from the companies eligible for our approved list. The Equity Income portfolio generally contains between 30-35 securities, which means that the performance of each security can have a material impact on the strategy’s total return. Risks include liquidity risk (inability to trade a security in stressed market conditions), company-specific underperformance or event-driven risks, and the risk that equities as an asset class have volatility and may decrease in value.

The portfolio may hold small- capitalization and mid-capitalization stocks, which have greater liquidity risk and more volatility in general than large-capitalization stocks. For investors in The Cutler Equity Fund, which follows this same strategy, the risks for investing are further outlined in the Prospectus. This is available via our website or by contacting Cutler.

Cutler’s Emerging Markets strategy is currently not offered via separately managed accounts, but is available in the Cutler Emerging Markets Mutual Fund. The investment thesis is very similar to the Equity Income strategy described above. We screen companies for strength and length of the historical dividend payment, and then apply proprietary analysis to create an approved list of eligible securities. We construct a portfolio of approximately 40-60 securities that heavily draws from our approved list, but not exclusively.

Emerging Markets are extremely volatile and therefore have a greater deal of risk including currency, foreign market risk, ETF risk (the mutual fund may invest into other ETF’s), company specific risk, geo-political risk, and very importantly, new fund risk (the risk that this fund has limited operating history or track record). Clients and prospective clients are reminded to review the Prospectus prior to investing.

Cutler’s Lifestyle Portfolios and Target-Date Portfolios on our emPlan 401(k) platform(s) are created using third-party software to generate an asset allocation of appropriately correlated assets. Correlation measures the degree to which different types of investments increase or decrease in value simultaneously. The process is based on research commonly referred to as Modern Portfolio Theory. The following risks should be considered if investing in these strategies- interest-rate risk, market risk, Cutler’s conflict of interest in recommending these securities, inflation risk, and currency risk, in addition to the product specific risks discussed below:

- The Lifestyle Portfolios are risk-based portfolios; meaning that they are constructed to specific expected return and volatility measures, based on historical data. They include five strategies: Conservative, Balanced Income, Moderate Blend, Growth and Income, and Aggressive Growth. The strategy names are not intended to reflect a specific investment objective, but are intended to reflect the risk relative to the other Lifestyle Portfolios. As an example, the Conservative strategy contains assets with potential for

losses, and may not correspond to your definition of “conservative.” These portfolios use individual securities, mutual funds, and exchange traded funds, which are subject to liquidity risks. All of these portfolios contain risk, and may lose value under certain market conditions. The expected risk of these portfolios is based on historic volatility, which cannot be assumed to reflect the degree to which the portfolio experiences future volatility. The Lifestyle Portfolios may not necessarily perform according to their investment objective, meaning that the Conservative portfolio may underperform the Aggressive Growth in a down market, and vice- versa. Additionally, there is a risk that you may be in a portfolio that is too aggressive (too much risk too close to retirement) or too conservative (not growing your assets enough during your wage earning years to generate sufficient income in retirement).

- The Target-Date Portfolios are based on estimated retirement dates for a 401(k) participant. These portfolios are intended to follow the participant through retirement, meaning the most conservative portfolio is designed for a retiree who is seeking additional portfolio growth beyond the target-date specified in the portfolio name. This portfolio contains risk that exceeds principal preservation portfolios. The age-specific Target-Date Portfolio that a participant is invested in may not be the most appropriate for their investment goals and risk profile. These portfolios have most of the same risks as the Lifestyle Strategies as they are comprised of ETF's, mutual funds (both active and passive), and other asset categories. The expected risk of these portfolios is based on historic volatility, which cannot be assumed to reflect the degree to which the portfolio experiences future volatility. The Target-Date Portfolios will not necessarily perform according to their investment objective, meaning that the most recent Target-Date Portfolio may underperform the furthest date portfolio in a down market, and vice-versa.

Cutler's Fixed Income portfolios, which include the Cutler Intermediate Fixed Income and Cash Management strategies, are managed at the discretion of the Portfolio Manager's current and future outlook. The portfolios reflect Cutler's view on the direction of interest rates, change in the shape of the yield curve, sector opportunities, and the credit quality of the issuer. The Intermediate Fixed Income Strategy may invest in a broad range of fixed income securities, which each contain their own risks (as defined below). These fixed income assets may include US Treasuries, US Agencies, US Mortgage-backed securities, Corporate Debt (both short and long duration), ABS and CMBS securities, and other securities such as those found in the Citigroup US Broad Investment-Grade Index. It may also invest in below-investment-grade securities, which presents additional risk for investors. Cutler's Cash Management strategy generally has a much shorter duration than the broader fixed income market, and typically invests into US Treasuries, US Agencies, and investment grade corporate debt. Risks for fixed income investing include credit risk (the risk that an issuer will go bankrupt), interest rate risk (the risk that bonds will go down in value as interest rates move up), default risk (the risk that the issuer will default on the payments), and reinvestment risk (the risk that bonds will mature at an unfavorable time for reinvestment). Bond trading is generally not done electronically, which increases the risk that a more attractive price exists versus the price at which a client's trades are executed. Furthermore, bond liquidity is often more favorable for large trades, implying that smaller accounts may have more difficulty executing trades at optimal prices.

In addition to the risks as described above, there are risks specific to the underlying investments of

each ETF and mutual fund utilized in Cutler's strategies, which vary depending on the types of investments, but generally include: market volatility risk, business financial risk, liquidity risk, foreign investment risk, currency risk, exchange rate risk, reinvestment risk, derivatives risk, interest rate risk, credit risk, default risk. All applicable risks are outlined in the Prospectus and Statement of Additional Information for each respective ETF and mutual fund.

Cutler does not provide any guarantee that our advisory services or methods of analysis will provide positive results or insulate clients from losses.

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 Cutler or the integrity of Cutler's Management. While Cutler does not consider the following information to be a material disciplinary event, we are providing details nonetheless in the spirit of full disclosure.

In January 2015, Cutler received a letter from a client asserting that Carol Fischer, Cutler's Director of Client Relations, had made certain verbal representations pertaining to the tax liability the client would incur during the transfer of the client's accounts to Cutler. The client was unaware that ordinary income would be accrued from liquidating a taxable account at a custodian unaffiliated with Cutler. Although Cutler maintains in our ADV filings that we do not provide tax advice, and that clients and potential clients should always consult their tax professional prior to any taxable transaction, Cutler agreed to compensate the client \$7,500. Cutler does not reimburse client tax liabilities and both Cutler and Ms. Fischer deny any liability was incurred by Cutler, but felt that compensation was appropriate in this instance to alleviate the client's concern. There was no legal action filed.

Details can also be found on Ms. Fischer's Form ADV Part 2B, which is provided to new clients and is available upon request.

Cutler and Matthew Patten are in receipt of a complaint filed by Mr. Patten's brother-in-law, pertaining to a private transaction by the brother-in-law. The brother-in-law was not a client of Cutler and we believe both Cutler and Mr. Patten have no exposure from this complaint.

Ms. Ashland is currently making tax payments to the IRS, arising from a technical ruling by the US Tax Court on her 2002 tax return. Details can also be found on Ms. Ashland's Form ADV Part 2B, which is available upon request.

Item 10 – Other Financial Industry Activities and Affiliations

Cutler is affiliated with the Cutler Trust, as the investment adviser for the Cutler Equity Fund, the Cutler Emerging Markets Fund, and the Cutler Fixed Income Fund. Several of Cutler's employees are also officers and/or Trustees of the funds. A majority of the Trustees are independent of Cutler to a level sufficient that we do not believe a material conflict exists pertaining to the governance of the affiliated mutual funds. However, there are certain potential and actual conflicts of interest due to this affiliation, which Cutler addresses in a number of ways. Please refer to Items 5, 11, and 12 for information on the conflicts and how we address them.

For more information on our affiliated mutual funds, please request a copy of the applicable Prospectus and Statement of Additional Information.

Item 11 – Code of Ethics

Cutler anticipates that, in appropriate circumstances, consistent with clients' investment objectives, Cutler will recommend to current or prospective clients, the purchase or sale of securities in which Cutler, or one or more of its employees has a position of interest (ownership). In order to address the possibility of a conflict of interest, Cutler has adopted a Code of Ethics ("Code") for all supervised persons of the firm (which includes officers, directors, and some employees). The Code requires all supervised persons to act for the benefit of all Cutler clients and is designed to assure that the personal securities transactions, activities and interests of the employees of Cutler will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt, based upon a determination that these would not materially interfere with the best interest of Cutler's clients. This Code establishes standards, prohibitions and procedures designed to prevent improper personal trading by supervised persons, to identify conflicts of interest, and to provide a means to resolve actual or potential conflicts of interest. Supervised persons are required to follow specific procedures regarding personal trading, such as pre-clearance of certain personal transactions and the submission of required quarterly and annual reports on personal trading and security holdings. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored under our Code of Ethics by our Chief Compliance Officer and/or designee. All supervised persons at Cutler must acknowledge the terms of the Code of Ethics at least annually. Cutler's clients or prospective clients may request a free copy of the firm's Code of Ethics by contacting Cutler.

Also, Cutler has a material conflict of interest in recommending the purchase of shares of the Cutler's affiliated mutual funds since Cutler earns management fees as the Investment Adviser to those affiliated funds. For certain clients invested in Cutler's Lifestyle Strategies and Target-Date Portfolios (emPlan), Cutler has a conflict of interest pertaining to the inclusion of the Cutler Funds in those strategies, due to the fact that Cutler earns additional fees on assets invested in the Cutler Funds as a portion of the prevailing expense ratio.

Importantly, as part of Cutler's fiduciary duty to clients, the firm and its supervised persons will endeavor at all times to put the interests of the clients first, and investments will only be made to the extent that they are reasonably believed to be in the best interests of the client. In some cases (such as 401(k) participants who are considering rolling into an IRA to be managed by Cutler), our conflict is material in nature and cannot be abated through policies and procedures. Cutler employees, however, still endeavor to provide only that advice which they believe to be in the long term benefit of the client (or prospective client). Additionally, the conflicts presented by this affiliation are disclosed to clients at the time of entering into an advisory agreement with Cutler, mainly through the delivery of this Disclosure Brochure.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Cutler's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total

average price. Cutler will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis.

If you have any questions regarding our Code of Ethics (or our client conflicts as discussed herein), our Chief Compliance Officer is available to address any concerns.

Item 12 – Brokerage Practices

Under the terms of Cutler Investment Counsel’s standard client contract, Cutler has the authority to determine securities to be bought or sold, the amount of the securities to be bought or sold, the broker to be used and the commission rates to be paid. Limitations on authority are provided in client specified investment objectives, guidelines and restrictions. In the event that the client designates a broker, the client may pay commissions that are different than those which Cutler can negotiate when it selects broker-dealers to execute transactions on behalf of its discretionary clients.

The major factors used by Cutler to determine which broker is selected for equity transactions in situations in which Cutler has discretion to choose the broker, are (a) quality of execution, (b) commissions charged, and (c) back office efficiency. As fixed income trades do not generally have a separate commission expense, dealer selection is based on best price.

Cutler will batch client orders where possible to obtain best execution. Generally, when trades are batched, each account within the block will receive the same price and commission. However, at the close of the trading day, the completed shares of partially filled orders will be allocated on a pro-rata basis (subject to rounding to “round lot” amounts). In the event the partial execution is not sufficient to complete a pro-rata allocation by round lot, a random selection of accounts will be made by the trading system to allocate trades.

Soft Dollars

Where appropriate, Cutler utilizes third party research, and research related products using commission(s) generated from trades that are executed on behalf of clients – also known as soft dollar commissions. Section 28(e) of the Securities Exchange Act of 1934 (“Section 28(e)”) recognizes the potential conflict of interest involved in this activity, but generally allows investment advisers to use client commissions to pay for certain research and brokerage products and services under certain circumstances without breaching their fiduciary duties to clients. For these purposes, “research” means services or products used to provide lawful and appropriate assistance to Cutler in making investment decisions for its clients. “Brokerage” services and products are those used to facilitate securities transactions for Cutler’s clients or to assist in facilitating those transactions.

Cutler uses soft dollar benefits to pay for financial analysis and information that is provided by Bloomberg and other third party research providers. Cutler does not allocate soft-dollar benefits to client accounts proportionately to the soft-dollar credits the account generates, as permitted by Section 28(e). In other words, there are certain clients that benefit from the research services, which did not make the payment of commissions to the broker-dealer providing the research and

broker services. When Cutler uses client brokerage commissions to obtain research or other products or services, Cutler receives a benefit because Cutler does not have to produce or pay for the research, products or services. Cutler may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the clients' interest in receiving the most favorable execution.

There also are times when Cutler purchases fixed income securities for its non-ERISA clients' accounts. For these types of transactions, the executing broker receives a selling concession rather than a commission per share, which is paid by the issuer of the fixed income security for selling the security to the public. When Cutler purchases these fixed income securities for its clients, the executing broker allots Cutler a certain amount of soft dollar credits based on the amount of selling concession received for each such transaction. The soft dollar credits are used to purchase third party research for Cutler. In these types of transactions, Cutler is aware of the concession amount received by the executing broker and makes a good faith determination that the amount is reasonable in light of the brokerage and research services received, as required by Section 28(e). Importantly, the purchase price of new issue fixed income securities is always the same (i.e. par, which equals \$100 per bond) no matter which broker-dealer executes these trades, and in no case do Cutler clients pay more than par for the new issue fixed income securities. Cutler believes it is highly beneficial to its investment decision-making process to obtain these soft dollar credits and have access to the research and brokerage services provided under this arrangement. Cutler has adopted written policies and procedures covering its soft dollar practices to mitigate the conflicts of interest and help ensure such practices remain in the best interest of clients. Cutler's Soft Dollar Policies and Procedures are outlined in Cutler's Compliance Manual which is available upon request.

The Custodians and Brokers Utilized by Cutler

Cutler does not maintain custody of client assets that it manages, although it may be deemed to have custody of Client assets if the Client gives authority to withdraw assets, such as quarterly fees, from their account. Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. Cutler recommends (or has recommended) that clients use Charles Schwab & Co., Inc. (Schwab), D.A. Davidson, Wells Fargo, and/or TD Ameritrade, registered broker-dealers and members of SIPC, as their qualified custodian. In addition, our clients use State Street, PNC Bank, Zions National Bank, Smith Barney, and Morgan Stanley. Cutler is independently owned and operated and is not affiliated with any of these custodians. These firms (or whatever custodian a client may choose) will hold client assets in a brokerage account and buy and sell securities when Cutler instructs them to do so. While Cutler frequently recommends that clients use Schwab as custodian/broker, clients will decide whether to do so and will open an account with Schwab by entering into an account agreement directly with them.

Cutler does not open the account for clients, although they may assist in doing so. Even though client accounts are maintained at Schwab or elsewhere, Cutler can still use other brokers to execute trades for client accounts as described below (see "*Client Brokerage and Custody Costs*").

How Cutler Selects Brokers/Custodians

Cutler seeks to use a custodian/broker who will hold client assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. Cutler considers a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for client's accounts)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Availability of investment research and tools that assist Cutler in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to Cutler and its other clients
- Availability of other products and services that benefit Cutler, as discussed below (see *"Products and Services Available to Cutler from Schwab"*)

Client Brokerage and Custody Costs

For Cutler clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services, but is compensated by charging commissions or other fees on trades that it executes or that settle into client account(s). This commitment benefits clients because the overall commission rates they pay are lower than they would likely be otherwise. In addition to commissions, custodians charge a flat dollar amount as a "prime broker" or "trade away" fee for each trade that Cutler has executed by a different broker-dealer, but where the securities bought or the funds from the securities sold are deposited (settled) into client account(s). These fees are in addition to the commissions or other compensation client's pay the executing broker-dealer. Because of this, in order to minimize trading costs, Cutler generally has the primary custodian execute most trades for client accounts. Some custodians may charge a minimum custodial fee for holding assets.

Products and Services Available to Cutler from Schwab

Schwab Advisor Services™ is Schwab's business division serving independent investment advisory firms like Cutler. They provide Cutler and its clients with access to Schwab's institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Cutler manage or administer its clients' accounts, while others help them manage and grow Cutler's business. Schwab's support services generally are available on an unsolicited basis (Cutler does not have to request them) and at no charge to Cutler as long as its clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If Cutler clients collectively have less than \$10 million in assets at Schwab, Schwab may charge Cutler a quarterly service fee of \$1,200. This is a potential conflict of interest; however, Cutler does not believe that this is a material conflict given the current assets managed. Cutler believes that its frequent recommendation of Schwab as custodian and broker is in the best interests of its clients. Cutler's selection is primarily supported by the scope, quality, and price of Schwab's client services and not Schwab's services that benefit only Cutler. Following is a more detailed

description of Schwab's support services:

Services That Benefit Cutler Clients

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

Services That May Not Directly Benefit Cutler Clients

Schwab also makes available to Cutler other products and services that benefit Cutler but may not directly benefit its clients or their accounts. These products and services assist Cutler in managing and administering its clients' accounts. They include investment research, both Schwab's own and that of third parties. Cutler may use this research to service all or a substantial number of Cutler clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements)
- Facilitates trade execution and allocates aggregated trade orders for multiple client accounts
- Provides pricing and other market data
- Facilitates payment of our fees from our clients' accounts
- Assists with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Cutler

Schwab also offers other services intended to help Cutler manage and further develop its business. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Cutler. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Cutler with other benefits, such as occasional business entertainment of Cutler personnel.

Item 13 – Review of Accounts

Cutler's portfolio managers review each of their accounts on an on-going basis and are responsible for selecting suitable investments for clients in accordance with each client's investment objectives and consistent with the Investment Policy (or written guidelines) of the client (where applicable). Additional in-depth reviews by the managers may be triggered by factors such as contributions to and distributions from the account and market and economic changes. In addition, periodic internal reviews are conducted to ensure that portfolios are managed in accordance with client guidelines and restrictions. The reviewers on Cutler's equity accounts are the portfolio managers, Matthew Patten and Erich Patten. The reviewer on our fixed income accounts is Xavier Urpi, Director of Fixed Income. All accounts receive no less than a quarterly portfolio evaluation from the relevant custodian. These statements include current holdings and relevant performance data. Clients requiring more frequent reports may request monthly statements or on an as needed basis.

Item 14 – Client Referrals and Other Compensation

Cutler receives a benefit from referral arrangements.

Cutler receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through Cutler's participation in Schwab Advisor Network[®] ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Cutler. Schwab does not supervise Cutler and has no responsibility for Cutler's management of clients' portfolios or Cutler's other advice or services. Cutler pays Schwab fees to receive client referrals through the Service. Cutler's participation in the Service may raise potential conflicts of interest described below.

Cutler pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Cutler is a percentage of the fees the client owes to Cutler or a percentage of the value of the assets in the client's account, subject to a minimum participation fee. Cutler pays Schwab the participation fee for so long as the referred client's account remains in custody at Schwab. The participation fee is billed to Cutler quarterly and may be increased, decreased or waived by Schwab from time to time. The participation fee is paid by Cutler and not by the client. Cutler has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Cutler charges clients with similar portfolios who were not referred through the Service.

Cutler generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, Cutler will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Cutler's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Cutler will have incentives to encourage household members of clients

referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Cutler's fees directly from the accounts.

Cutler also compensates certain advisory personnel for referring clients.

Item 15 – Custody

As a client you should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains your investment assets. Cutler urges you to carefully review such statements and compare such official custodial records to any account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Cutler generally does not send client statements, unless specifically requested by the client and agreed to by Cutler. Clients should contact us directly if they believe that there may be an error in their statement.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things.

Item 16 – Investment Discretion

Cutler usually receives discretionary authority from the client at the onset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account, when applicable. This authority, including any power of attorney, is specified in client contracts.

When selecting securities and determining amounts, Cutler observes the investment policies, limitations and restrictions of the clients for whom it advises. For Investment Companies, such as the Cutler Trust, Cutler's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments.

In ERISA accounts in which Cutler has 3(38) investment discretion, Cutler will select investments in accordance with the Plan's Investment Policy Statement. Individual participants are responsible for their securities mix under ERISA 404(C).

Investment guidelines and restrictions, when applicable, must be provided to Cutler in writing, and may include restrictions such as the type or specific securities that may be bought and sold, or the percentage of exposure that may be allowable in a particular security or industry.

Item 17 – Voting Client Securities

You may request a copy of our Proxy Policy, which details the manner with which we vote proxies

on behalf of our clients at any time. As a service to our clients, Cutler typically votes the proxy statements on all individual securities held in client account(s). Clients do have the right, however, to discuss with our Proxy Voting Administrator, Erich Patten the specifics of our voting policies at any time. A copy of Cutler's proxy voting history is available upon request.

Generally, Cutler believes supporting the recommendations of management is the preferred course of action in a proxy vote. Cutler will, however, vote against management if it believes it to be in the client's best interest. Cutler's Proxy Voting Policy Statement outlines the specifics of how it addresses any conflicts of interest. In summary, however, Cutler's policy is to vote what we believe is in the best interest of the clients at all times.

Item 18 – Financial Information

Registered Investment Advisers are required to provide you with certain financial information or disclosures about Cutler's financial condition.

Cutler has no financial obligations that impair our ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.