



Item 1 – Cover Page

**Cutter & Company, Inc.**

**15415 Clayton Road  
Ballwin, Missouri 63011**

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Visit our website at: **[www.cutterco.com](http://www.cutterco.com)**

**DISCLOSURE BROCHURE  
FORM ADV PART 2A**

**January 28, 2016**

This Form ADV Part 2A (Investment Advisor Brochure) provides information about the qualifications and business practices of Cutter & Company, Inc. If you have any questions about the content of this brochure, please contact us at (636) 537-8770 or (800) 536-8770. 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. Registration is mandatory for all persons meeting the definition of investment advisor and does not imply a certain level of skill or training.

Additional information about Cutter & Company, Inc. is also available on the SEC’s website at: **[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

## **Item 2 - Material Changes**

The purpose of this section is to discuss only material changes since the last annual update of Cutter & Company, Inc. Investment Advisor Brochure. The date of the last annual update was March 30, 2015.

### **Summary of Material Changes:**

**Change to Page 10 – added new language disclosing the process followed when handling trade errors**

**Change to Page 10 – added new language regarding how block trades may be allocated**

**Change to Page 15 – additional language added to the section titled “Brokerage Practices” outlining the use of the postage and handling fee charged on each brokerage transaction**

### **Delivery:**

We will deliver our “Summary of Material Changes” within 120 days of our fiscal year end if there have been material changes since the last annual updating amendment.

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## **ITEM 4 - Advisory Business**

Cutter & Company, Inc. ("C&C") is a privately owned corporation established in 1988. C&C is an introducing broker-dealer, utilizing two clearing firms as custodian of our client assets: First Clearing Corp., LLC, ("FCC") a non-bank affiliate of Wells Fargo and BB & T Securities, LLC ("BBT"). C&C is dually registered as a broker-dealer registered with FINRA and a SEC registered investment advisor. The firm is owned as follows:

William L. Meyer, President - 75%  
Deborah Castiglioni, CEO - 25%

### **Advisory Services**

**Financial Plan:** A written Financial Plan is provided consistent with the individual client's financial and tax status and risk/reward objectives. Planning may be comprehensive or segmented and focus on investments, insurance, taxes, and/or estate plans.

**Consultations:** General consultation with the Financial Advisor regarding financial planning, retirement planning, insurance, estate planning, tax planning, and investments, as may be applicable.

**Investment Management – Cutter Advisory Program:** The client's Financial Advisor manages the investment portfolio based on individual needs of the client. Typically the clients provide consent to allow the Financial Advisor discretion over the trading decisions in the account, although they can choose to have the account managed on a non-discretionary basis. The client receives a quarterly invoice from C&C outlining the value of the assets being managed and the applicable management fee for the period. Individual performance reports are available at the client's request.

The scope of the Cutter Advisory Program is based upon the investment philosophy and style of each Financial Advisor, and as agreed to in accordance with the client advisory agreement.

An initial interview and data gathering is undertaken to determine the client's financial situation and investment objectives, and to give the client the opportunity to impose reasonable restrictions on the management of the account.

For discretionary accounts, clients have the ability to leave standing instructions with the Financial Advisor to refrain from investing in particular securities or types of securities, or invest in limited amounts of securities. Quarterly C&C will notify the client, in writing, to contact the Financial Advisor or C&C if there have been any changes in the client's financial situation or investment objectives. The Financial Advisor will contact or attempt to contact the client periodically on these matters. It is the client's responsibility to notify the Financial Advisor at any time there are changes to their investment objective or financial situation.

Clients may call in at any time during normal business hours to discuss directly with the Financial Advisor the client's account, financial situation, or investment needs. Clients will receive, from the custodian or brokerage firm, timely confirmations and at least quarterly statements containing a description of all transactions and all account activity. The client will retain rights of ownership of all securities and funds in the account to the same extent as if the client held the securities and funds outside the program.

**Wrap Fee Programs Sponsored by Cutter: C&C sponsors the following wrap fee programs:**

- **Private Investment Management (“PIM”)**
- **Asset Advisor**

Comprehensive information regarding each of the C&C Sponsored Wrap Fee Programs, which includes the specific management style, program minimums and other costs/expenses associated with each program, is attached as Appendix 1 – Wrap Fee Program Brochure - when applicable.

**Third Party Asset Management Programs (“TPAM”):** Financial Advisors utilize a number of TPAM programs to implement client investment objectives. Each of these programs offer a variety of management styles and have minimums and other costs/expenses associated with their specific program. (See details at item 14.)

As of December 31, 2015, Cutter & Company assets under management were valued as follows:

\$409,586,575	Discretionary assets under management
\$153,021,164	Non-discretionary assets under management
\$562,607,739	Total assets under management*

*\*The asset totals listed above do not include assets managed by third-party managers or assets of clients that we introduce to another investment program when acting as a “solicitor” for that program.*

## **Item 5 - Fees and Compensation**

**Financial Plan –** Creation of a customized financial plan is an a la carte service provided for a flat fee. The amount charged is determined by the complexity of the client’s financial situation. Financial plans start at a minimum fee of \$250. Financial Plan fees may be as high as \$5,000, depending on the variables of the client’s situation. Financial plan fees are negotiated between the advisor and the client prior to the creation of the financial plan, and may be higher or lower than the above range when agreed upon by both parties and accepted by C&C. Fees for financial plans are charged 50% upon execution of the Advisory Agreement and the balance is due upon delivery of the plan. Client may terminate their request for

financial advisor to prepare a previously agreed upon financial plan. However, there will be no refund of the portion of the fee that has been collected upon execution of the Advisory Agreement.

Additionally, no refunds are made for financial plans that have been completed and any agreed upon fee is due upon completion and delivery.

**Consultations** – Consulting services are available at either an hourly rate or flat “annual retainer” fee. Hourly services range from \$100 - \$300 per hour. These fees may be negotiated when agreed upon by financial advisor and client and accepted by C&C. Hourly fees are to be paid in full upon completion of the consultation.

Retainer services require an agreed upon annual retainer fee. Retainer services range from \$500 per year to \$4,000 per year, depending on the services provided. The retainer may be negotiated and is agreed upon by financial advisor and client and accepted by C&C. Unless other arrangements have been made, retainer clients agree to pay half of the annual retainer upon execution of the Advisory Agreement. The client agrees to pay the balance of the retainer fee upon receipt of an invoice by C&C. Fees are not collected for services to be performed more than six months in advance.

When client terminates services under an hourly fee agreement, all fees for previous services are due and payable. When a retainer client terminates their retainer services, they will receive a pro-rated refund for any pre-paid fees for that period.

### **Investment Management – Cutter Advisory Program -**

Clients have a choice in the compensation structure paid to C&C as follows:

1) Fee Schedule – You pay an asset-based fee on eligible program assets, as well as a separate transaction fee for execution services on agency trades. You will also be subject to any other fees associated with our standard brokerage accounts, including an \$8 postage and handling fee, transfer taxes, exchange fees (among which SEC fees may be included), and any other fees required by law. Fees are billed quarterly in advance and will be deducted from the account you choose. Alternatively, you can choose to have the management fee billed to you for payment each quarter. The C&C Advisory Program minimum account value, asset-based fee and transaction fees are negotiable. Standard fees are as follows:

<u><b>Total Account Value</b></u>	<u><b>Annualized Advisory Fee</b></u>
First \$250,000	2.50%
Next \$750,000	2.00%
Over \$1,000,000	1.50%

**Per Transaction Fee:** \$25 per transaction

2) Execution Schedule – You pay for C&C Advisory Program services by paying commissions for each transaction in the account at our normal commission rate for such agency transactions. You will also be subject to any other fees associated with our standard brokerage accounts, including postage and handling fees, transfer taxes, exchange fees (among which SEC fees may be included), and any other fees required by law. Commission rates are negotiable.

Prorated refunds will be made for clients that terminate the C & C Advisory program that participate in the Fee Schedule arrangement, based on the balance of days remaining in the quarter in which management services terminate. Refunds are made in the next quarterly billing cycle following date of client’s termination.

You should be aware that **any of the above program fees** may be higher or lower than those otherwise available if you were to select a separate brokerage service and negotiate commissions in absence of the extra advisory service provided. Our fee schedules listed above may be subject to negotiation depending on a range of factors including, but not limited to account size and overall range of services provided.

You should consider the value of these advisory services when making such comparisons. The combination of custodial, advisory and brokerage services may not be available separately or may require multiple accounts, documentation and fees. You should also consider the amount of anticipated trading activity when selecting among the programs and assessing the overall cost. Advisory programs typically assume a normal amount of trading activity and, therefore, under particular circumstances, prolonged periods of inactivity or asset allocations with significant fixed income or cash weightings may result in higher fees than if commissions were paid separately for each transaction.

A portion of the fees or commissions charged for the programs described here will be paid to C&C Financial Advisors in connection with the introduction of accounts, as well as for providing client-related services within the programs. This compensation may be more or less than a Financial Advisor would receive if you paid separately for investment advice, brokerage, and other services, and may vary, depending on the program or services offered.

Unless agreed upon otherwise, you authorize us to deduct from your account a quarterly fee calculated at the rate indicated in the Fee Schedule for that program, billed in advance of the quarter. For the purposes of calculating program fees, “total account value” shall mean the sum of the long and short market value of all securities and mutual funds, if applicable. The total account value of the account will be calculated using the closing prices or, if not available, the lowest published “bid-price” and if none exist, the last reported transaction if occurring within the last 45 days. For mutual funds, we use the fund’s most current net asset value, as computed by the fund company. In so doing, we will use information provided by quotation services believed to be reliable. (Due to rounding that may occur, statement values may differ by pennies from the account value used when calculating our quarterly fee.)

The initial fee is calculated as of the date that the account is accepted into the program and covers the remainder of the calendar quarter (the C&C Advisory Program uses a 90 day calendar quarter). Subsequent fees will be determined for calendar quarter periods and shall be calculated on the value of the account on the last business day of the prior calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in value of the assets in your account during that period. The C&C Advisory Program does not reimburse you for fees paid if a withdrawal is taken from the account during the quarter. The deposit of funds into an existing account during a quarter may incur a pro-rata fee, as agreed upon between you and your Financial Advisor.

When using C&C Sponsored Wrap Fee Programs, your account will be charged or refunded a prorated quarterly fee on any net additions or net withdrawals in the account during a month. Fees will be charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the eligible program assets in your Account, and C&C shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds.

Clients will be notified of any changes to their fee schedule 30 days prior to the effective date of the change. Whenever there are changes to the fee schedule, the schedule of charges previously in effect shall continue until the next billing cycle.



## **Risk in the Use of Margin**

To the extent margin is used in your account, you should be aware that the margin debit balance will not reduce the market value of eligible assets, and will therefore increase the asset-based fee you are charged. The increased asset-based fee may provide an incentive for your Financial Advisor to recommend the use of margin strategies. The use of margin is not suitable for all investors, as it increases leverage in your account and therefore risk.

## **Other Account Fees**

The advisory fee does not include certain dealer markups or markdowns, when allowed, odd lot differentials, transfer taxes, postage and handling fees, exchange fees, execution fees (foreign and/or domestic) when applicable, and any other fees required by law. Cash balances in an account may be invested in money market mutual funds including, as permitted by law, those with which we have agreements to provide advisory, administrative, distribution, and other services and for which we receive compensation for the services rendered. In a low interest rate environment, the yield that you earn on cash and cash alternatives, including cash sweep funds, CDs and money market funds may not offset advisory fees. In some instances, the effective yield of the investment may in fact be negative. Non-brokerage-related fees, such as IRA fees, are not included in the advisory fee and may be charged to your account separately.

Your Financial Advisor may suggest that you use other products and services that C&C offers, but that are not available through the advisory program you select ("Excluded Assets"). Excluded Assets are not charged a program fee and are not considered a part of the program or program services. We generally recommend that you hold these Excluded Assets in a separate brokerage account. If an excluded fund purchased for or transferred into your account later becomes eligible for the program, program fees will apply to that fund. You will incur any usual and customary brokerage charges and fees imposed on transactions in Excluded Assets which may include (i) any dealer markups/markdowns and odd lot differentials and transfer taxes; (ii) charges imposed by broker-dealers and custodians other than FCC, BBT and their affiliates and fees for other products and services that we and our affiliates may offer; (iii) offering discounts, commissions and related fees in connection with underwritten public offerings of securities; (iv) margin interest and operational fees and charges; (v) IRA fees; and (vi) any redemption fees, exchange fees and or similar fees (among which SEC fees are included) imposed in connection with mutual fund transactions whereby C&C or your Financial Advisor may receive additional compensation on these Excluded Assets.

## **Cost of Investing in Mutual Funds**

In addition to program fees, as a shareholder of a money market, mutual fund or closed-end fund, you will bear a proportionate share of the fund's expenses, including investment management fees that are paid to the fund's investment advisor. C&C may directly or indirectly receive 12b-1 distribution fees from these mutual funds or closed-end funds. Where required by applicable law, C&C will credit such fees against the fees assessed under the advisory program fees. Where permitted by law, C&C will retain these fees as additional compensation and not credit or rebate these fees against the fees charged for the advisory program. For more complete information about these funds, please refer to the respective fund prospectus. In the case of ERISA accounts, any fees described in this paragraph will be credited against the advisory program fees otherwise payable by Client.

You should be aware that you may invest in Money Market Funds or Mutual Funds directly without incurring the fee charged for participation in a program. In addition, certain institutional investors may directly purchase a class of shares of certain money market funds or funds that do not charge shareholder services, sub-accounting or other related fees. If you do, however, you will not receive the various program services provided under the advisory program, and some mutual funds may impose a sales load on direct investments. You will receive a prospectus for each money market and mutual fund purchased, as required by securities regulations.

C&C or our service providers may collect such fees directly or indirectly from some or all of the mutual funds in which you invest, and we may pay any such fees received to C&C's Financial Advisors. The amount of the fees we or your Financial Advisor receive will vary, depending on the percentage paid pursuant to a fund's Rule 12b-1 plan.

Certain Funds make multiple no-load, institutional, advisory or load-waived share classes available for purchase through investment advisory programs. Specific share classes may be available only through certain C&C investment advisory programs and may have different shareholder servicing, sub-accounting, investment management and 12b-1 fees and charges from other shares classes offered by those Funds. As a result, some clients may have purchased lower-cost institutional share classes, while others may have purchased a non-institutional share class.

## **Trade Error Policy**

Any person discovering an error shall immediately notify Deborah Castiglioni or Barry Gerdin. Error corrections will be made as soon as possible after the error is discovered. Often this means no later than the next business day. Sometimes an error correction needs to take place after an investigation to determine whether the client, the advisory firm, the broker/dealer or the custodian made the error. Error correction may need to be delayed until after the Company consults with the client. The Company will use its best efforts to resolve errors in a timely manner. The Company will maintain a file documenting the correction of all trading errors.

If a trading error results in a loss, the party that is responsible for the error shall pay for the loss (i.e. client errors are paid for by client, financial advisor errors paid by the financial advisor, firm errors are paid by the firm). In the event the error results in a gain, if the client made the error and is able to retain the trade (i.e. by adding additional funds to pay for too many shares purchased), the client is allowed to retain any such gain and the additional shares once the trade has been fully paid. If client makes an error that results in a gain, either because the stock being bought or sold was incorrect, or they sell more shares than they own, the firm will retain any gains attributable to correcting the trade. If the financial advisor is responsible for the error that results in a gain, the firm will retain the gain and will not provide the credit to the financial advisor.

## **Allocation of Block Trades**

**Trade Allocation.** The Company will allocate publicly traded securities, as well as IPOs and Private Placements, without preferential treatment to any specific clients. This allocation formula shall provide a fair and equitable basis for allocations and be consistently applied to all clients. Prior to the allocation of illiquid securities (i.e. limited partnership units, REIT's, Private Placements, etc.) by the Company, the CCO will determine if a Client's investment objectives and suitability requirements qualify the Client for participation in purchasing a specific security, IPO or Private Placement. If the Client qualifies for

participation in the purchase of a specific security, IPO or Private Placement the Company will allocate a certain percentage of the total allocation to each qualified Client based upon the following formula:

1. Allocation Formula for Illiquid Securities. The formula is based upon dividing the total shares allocated to the Company by the total number of qualified Client's and their assets under management. For example, if the total allocation to the Company is 1,000,000 shares and the Company has ten (10) Clients that qualify for a percentage of the allocation and each Client has a total of \$1,000,000 under management with the Company, each Client will receive an allocation of 100,000 shares.

2. Allocation Formula for Publicly Traded Securities – Publicly traded securities that are purchased or sold as part of a block trade may not always result in a completed order (i.e. particularly when using limit orders). In the event of a partial fill of publicly traded securities, the shares may be allocated on a prorated basis amongst all clients originally intended to purchase or sell such securities as part of the block transaction. Alternatively, shares may be allocated by starting with the client that has the lowest numeric account number and providing full quantity allocations until the shares have been fully allocated. Using the alternative allocation method may, over time, favor or advantage clients with lower account numbers.

(For example, if the original order intended to purchase 20,000 shares and 10,000 shares fill - if there were 10 clients involved, the investment advisor representative may allocate 1,000 shares to each client, or, if the original intent was to purchase 2,000 for each client, the IAR may choose to allot 2,000 to the first five client accounts, beginning with the lowest numerical account number.)

## **Account Termination**

Your account agreement may be terminated by either party at any time upon notice. If you terminate your Agreement, a pro rata refund will be made, less reasonable start-up costs. In the event of cancellation of Client Agreements, fees previously paid pursuant to the fee schedule will be refunded on a pro rata basis for the remainder of the quarter, as of the date notice of such cancellation is received by the non-cancelling party, less reasonable start-up costs.

If you choose to terminate your agreement with any of our investment advisory programs, we can liquidate your account if you instruct us to do so. If so instructed, we will liquidate your account in an orderly and efficient manner. The C&C Advisory Program may charge separate transaction fees for each liquidating transaction. Additionally, certain mutual funds impose redemption fees as stated in their fund prospectus. You should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with your tax advisor.

We will not be responsible for market fluctuations in your account from the time of notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that may affect the orderly and efficient liquidation of an account might be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate an advisory account, termination orders cannot be considered market orders. It may take several business days to as much as two weeks, under normal market conditions, to process your request. In certain cases, if the Custodian is an Annuity Issuer, then specific prior notice may be required before effecting withdrawal instructions, as provided in the Annuity Prospectus. Withdrawals prior to age 59 ½ may also have certain tax penalties, in addition to being subject to ordinary income tax. C&C shall not be held liable for losses due to market value fluctuations during the time taken for these liquidating transactions.

If an advisory program account is terminated, but you maintain a brokerage account with us, the money market fund used in a “sweep” arrangement may be changed and/or your shares may be exchanged for shares of another money market fund (as not all of the money market funds used in our advisory accounts are available in brokerage accounts). You will bear a proportionate share of the money market fund’s fees and expenses. You are subject to the customary brokerage charges for any securities positions sold in your account after the termination of program services.

### **Item 6 - Performance Based Fees and Side by Side Management**

C&C does not offer any investment advisory services where fees are based on the performance of the account.

### **Item 7 - Types of Clients and Account Minimums**

C&C provides advisory services to individuals, pension or profit sharing plans, trusts, estates, corporations and other business entities.

A minimum account value of \$25,000 is required for the Cutter Advisory Program. Accounts below the minimum may be accepted if approved by the Financial Advisor and C&C. No account minimums are required for Financial Plans or Consultations.

For account minimums on the Wrap Fee Programs sponsored by Cutter, refer to Appendix 1 of this brochure if applicable. For account minimums on the TPAM accounts, refer to the applicable manager’s disclosure brochure.

### **Item 8- Methods of Analysis, Investment Strategies and Risk of Loss**

The C&C Advisory Program provides access to a wide variety of investment strategies and styles. Individual, customized asset management, asset allocation and model portfolios are available. The specific program that is chosen will determine the types of investments that are used (i.e. stocks, bonds, ETFs, etc.), strategy (i.e. international, fixed income, tax managed, etc.) and style (i.e. value, growth, passive, active, etc.).

A variety of informational resources are used to perform the security analysis, again dependent on the manager and respective program that is chosen. C&C Financial Advisors may use fundamental and/or technical methodologies and may subscribe to information providers that focus on those areas (i.e. Dorsey Wright may be used to help analyze a stock or mutual fund from a technical perspective. Alternatively, Morningstar may be used to focus more on the fundamentals of a particular stock or mutual fund.) C&C has access to a variety of institutional research, such as Standard & Poor’s, Credit Suisse, Wells Fargo Securities, and others. Additionally, we may review subscriptions to financial newspapers and magazines, as well as corporate filings made with the SEC.

In the C&C Advisory program, the manager will have discretion over the trading decisions in the account, with no obligation to contact the client prior to the transaction, unless client chooses not to allow discretion.

When subscribing to one of the Wrap Fee Programs available, be sure to review the appropriate Disclosure Brochure issued by the sponsor of the respective program to obtain detailed information regarding each of their management programs and advisory services.

**All investments entail risk and the possible loss of money.** Some investment strategies may incur higher expenses or carry a greater degree of risk (i.e. tactical allocation, which often incurs frequent trading, foreign trading, high yield bonds, etc.). These increased trading costs and potential tax consequences will impact the final return on the investment.

There is no guarantee that the investment strategy selected for the client will result in the client's goals being met, nor is there any guarantee of profit or protection from loss. For those investments sold by prospectus, clients should read the prospectus in full.

### **Item 9 - Disciplinary Information**

An investment advisor must disclose material facts about any legal or disciplinary event that is material to a client's evaluation of the advisory business or of the integrity of its management personnel. C&C does not have any disclosure items.

### **Item 10 - Other Financial Industry Activities and Affiliations**

In addition to our investment advisory services, C&C also operates as a securities registered broker-dealer, regulated by the Financial Industry Regulatory Authority (FINRA), as well as an insurance agency. The majority of C&C Financial Advisors are licensed as a registered representative with the broker-dealer division and as insurance agents with the insurance division.

There are potential conflicts of interest that may arise as a result of the firm also acting in a broker-dealer and insurance agency capacity. William Meyer and Deborah Castiglioni have ownership interest in the firm, and may subsequently benefit from the various servicing and handling fees that are paid to the firm.

C&C may exercise agreements with other Registered Investment Advisors and recommend other Advisors to clients. In such instances, C&C may receive a portion of the account fee or commissions. In these instances, we will make available to the client a "Compensation Disclosure Statement" and the Investment Advisor Brochure for the other Advisor. The client is under no obligation to use the services of the other Advisor(s) recommended.

Additionally, a Financial Advisor, when operating as a registered representative or insurance agent, may sell you products that generate commissions. An example of such products would include, but not be limited to, when executing a brokerage transaction for your non-advisory account, or when you purchase an insurance or annuity product. This may create a conflict of interest, as the Financial Advisor has a monetary incentive that may cause the Financial Advisor to sell products which may not be needed by you, in order to generate a commission.

The client is under no obligation to purchase products recommended, or to purchase products either through us or through the various insurance companies we represent. A client may obtain the same or similar products through other brokers or agents not affiliated with C&C.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics and Personal Trading**

The C&C Code of Ethics requires certain reporting, disclosure and approval requirements for personal securities transactions by C&C Financial Advisors. These policies were created in an effort to prevent actual or potential conflicts of interest with transactions that have been recommended to clients. The Code of Ethics applies not only to transactions by the Financial Advisor, but also to transactions in accounts in which such person has a beneficial interest, such as the account(s) of the Financial Advisors spouse or minor children. Insignificant positions (i.e. purchases or sales of 2,000 shares or less of any security – or options thereon – that is part of the S & P 500 Index or 1,000 shares or less of any security that trades on any other index or exchange) are exempt from the prohibitions outlined in the Code of Ethics.

C&C will provide a complete copy of our Code of Ethics upon your request.

### **Participation or Interest in Client Transactions**

C&C and our Financial Advisors may from time to time purchase or sell securities that are also held by our clients. This presents no conflict of interest, as the securities are widely held and publicly traded. Client trades are given priority over trades executed for the benefit of C&C or C&C Financial Advisors.

C&C and our Financial Advisors are prohibited from “trading ahead” of client orders (otherwise known as “front running”). We may, however, purchase or sell a security as part of a block, or bunched transaction (i.e. in conjunction with client orders where all investors receive the same average price). Additionally, due to the variety of advisory programs available, and their various styles and objectives, it is possible that one Financial Advisor may be selling a security that another Financial Advisor is buying. C&C does not believe this presents a conflict of interest, as the securities are generally highly liquid and publicly traded, as well as the fact that trading activities by one advisor are not known by the other and this instance would occur only by coincidence.

C&C has an obligation to obtain best execution pricing for our client transactions. The majority of our transactions are entered into the trading systems provided to us by our clearing partners. However, C&C may direct orders to other market centers when better pricing is available. Additionally, per our Advisory Agreement, C&C may execute client orders on a principal or an agency basis.

C&C, as principal, buys securities for itself from or sells securities it owns to any client. These clients may be advisory clients. When a principal trade occurs, we will disclose such to the client, in writing, before the completion of the transaction, and will obtain the consent of the client to such transaction. A conflict of interest may exist in a principal trade because of the incentive to generate a profit by buying or selling from inventory.

An agency cross transaction occurs when C&C acts as the agent for both the buyer and the seller of a specific security. Oftentimes the ability to cross the transactions for each party will provide a better execution price for both parties to the transaction than if either executed their orders independently. In the event of an agency cross transaction, the C&C Financial Advisor may charge a commission on one or both sides of the transaction, depending on the relationship with the client. Agency cross transactions can present a conflicting division of loyalty and responsibilities regarding both parties to such transactions, due to the additional compensation allowed. In no event will an agency cross transaction be permitted where the Financial Advisor has solicited both the seller and the buyer. The client will be notified in the event C&C is acting as an “agent for both the buyer and the seller” and any compensation will also be disclosed. Clients will be asked to provide written consent to the agency cross transaction prior to or at the time of execution of the trade.

### **ITEM 12 - Brokerage Practices**

C&C is recommended as the broker-dealer for client accounts. It is not mandatory, but we believe it is beneficial to the client due to the enhanced efficiencies, ability to combine orders and execute “block” trades, technological capabilities and quality of service provided when we act as the broker-dealer. When using the C&C Advisory program, clients may choose to utilize an outside broker dealer. Not all investment advisors require their clients to direct their brokerage activities through their firm or a related firm.

C&C Financial Advisors may charge a transaction fee per transaction, depending on the negotiated rate as agreed upon between the Financial Advisor and the client. There is also an \$8 postage and handling fee on each transaction when using C&C as the broker-dealer. The \$8 postage and handling fee is charged on each brokerage transaction executed at either First Clearing Corp. or BB & T Securities. This fee is used to cover not only the actual postage related to the specific transaction, but is also used to offset a portion of the postage expenses the firm incurs when sending out required regulatory mailings (i.e. annual privacy policy, Form ADV updates, invoices, books and records mailing, etc.). The fee also is used to reduce the costs associated with the handling and administrative servicing of our client accounts, such as access to our trade desk and operations staff, account updates, etc. This fee does not directly benefit the client paying the fee, and instead may be used for expenses that benefit all clients. Not all advisers charge such a fee.

There is a conflict of interest when recommending that clients use C&C as the broker-dealer, as the firm benefits from administrative and servicing fees, such as money fund rebates paid to us from money market balances, as well as from postage and handling and transaction fees that exceed the cost charged to us by our clearing partners.

C&C feels the commission and handling fees are competitive with other broker-dealers available to clients, based on the advantages received (i.e. firm is not required to purchase external hardware and software systems that would otherwise be needed to download and reconcile the client data from the outside broker-dealer, efficiencies derived as a result of ability to “block” trade, ease of access to client data and trading platform, consolidation services when clients have both advisory and brokerage accounts, etc.) If client chooses to use an outside broker-dealer, commission and handling fees are negotiated directly by the client and may be higher or lower than those charged by C&C.

C&C may receive compensation from a brokerage firm in the form of research, products or services (also known as “soft dollars”). Our clearing firm partners provide us with access to institutional research as part of our overall clearing arrangement. When a firm uses client brokerage commissions to obtain soft dollars, the firm receives a benefit by not having to separately pay for such items. A firm may have an incentive to select or recommend a broker/dealer based on soft dollars received, rather than best execution for the client. Although C& C does not specifically use commissions to acquire such research, we do receive such access as part of our overall arrangement with our clearing partners. Our clearing contracts require C&C to meet required minimum transactions and/or to pay minimum clearing fees, which are agreed to by each party.

C&C understands its duty for best execution and considers all factors in making recommendations to clients. These research services may be useful in servicing all C&C clients, and may not be used in connection with any particular account that may have paid compensation to the firm providing such services. While C&C may not always offer the lowest transaction fee, C&C believes the rate is reasonable in relation to the value of the brokerage and research services provided.

### **Item 13 - Review of Accounts and Reports on Accounts**

Clients will receive periodic account statements (not less than quarterly) from their account Custodian. These statements generally contain a listing of account assets and values as of the closing date of the statement. The information in these reports will vary from custodian to custodian. We urge clients to carefully review these reports and compare the statements that they receive from their individual custodian(s) with any reports that they receive that provide a compilation of their investment holdings and performance results.

The frequency of in-person or telephonic reviews with clients is individually negotiated between each client and their Financial Advisor. Account reviews are performed by the Financial Advisor. C&C’s Chief Compliance Officer, or their delegate, will perform periodic account reviews to verify trading and investment selection are appropriate for the client based on the client’s stated investment objectives and risk tolerance. The C&C reviews will utilize, but not be limited to, exception reports provided to us by our clearing firm partners, which include trading activity in an account that exceeds predetermined parameters, specific types of securities being purchased (i.e. stocks that trade at \$5/share or less, options, etc.), investments in a single stock purchase that exceed specific dollar thresholds, etc. For accounts that are held by custodians other than our clearing firm partners (FCC and BBT), the C&C Chief Compliance Officer or their delegate will review those client accounts on a periodic basis by reviewing statements and utilizing electronic access to the custodian’s platform where available. Additionally, spot checks of specific accounts will be conducted to review the trading and investments are appropriate for the client’s investment objectives and risk tolerance.

### **Item 14 - Client Referrals and Other Compensation**

#### **Referral Fees Paid**

C&C may compensate for client referrals. All solicitors’ arrangements will be conducted in compliance with the Investment Advisers Act of 1940. In addition, all applicable federal and state laws will also be observed. All clients procured by solicitors will be given full written disclosures describing the terms and



fee arrangements between the advisor and the solicitor prior to or at the time of entering into the advisory agreement.

### *Referral Fees Received*

C&C may exercise agreements with other Registered Investment Advisors and recommend other Advisors to clients. In such instances, C&C will receive a portion of the account fee or commissions. In these instances, we will make available to the client a "Compensation Disclosure Statement" and the Form ADV for the other Advisor. The client is under no obligation to use the services of the other Advisor(s) recommended.

In instances of a "wrap fee" program, clients will receive applicable disclosures in a Wrap Fee Brochure (Form ADV Part 2A Appendix 1). The regulatory filing of the brochure is prepared by the outside money manager.

C&C may, subject to negotiation with our TPAM's and wrap fee platform providers, receive certain allowances, reimbursements or services in connection with C&C's investment advisory services provided to our clients. These allowances and/or reimbursements are described below and in the Wrap Fee Program Sponsor Disclosure Brochure, attached as Appendix 1, if applicable.

Depending on the relationship with the TPAM and/or wrap fee sponsor, C&C and/or its Financial Advisors may receive business development allowances that provide for reimbursement for some or all of either C&C or its Financial Advisor's qualified advertising, research tools, marketing/practice management, or client event expenses incurred. Financial Advisors may also be eligible to attend annual conferences or conduct due diligence visits to further evaluate our third-party advisors. These trips may be subsidized all, or in part, by the third-party advisor. Typically the TPAM will provide payment to cover the airfare, hotel expense, dinners and possibly an entertainment event for the Financial Advisor's attendance. These trips are not contingent on specific sales targets being met, contests or any other requirement to promote a product or service. Additionally, TPAM's may provide C&C or its Financial Advisors with education, training and marketing support for their programs.

### **Item 15 - Custody**

C&C is considered an "introducing broker-dealer". This phrase means we accept customer orders, but the orders are processed, or "cleared" through another firm (our clearing firm partners, FCC & BBT). The clearing firms would be considered custodians of our client assets. Additionally, when clients purchase investments directly with other broker-dealers, mutual fund companies, insurance companies, limited partnerships and/or trust companies these organizations would be considered the custodians of our client assets.

All C&C client assets are held by qualified custodians, who provide account statements directly to clients on a monthly basis, or no less frequently than quarterly if there is no activity in the client account. We urge clients to carefully review those statements and compare the custodial records to the other reports that may be provided to you (i.e. quarterly performance reports, annual reports, etc.)

Although C&C does not act as a qualified custodian of our client assets, according to the definition of "custody" by the SEC, there are instances where C&C may have what is considered to be "incidental

custody”. For instance, if we deposit securities into your advisory account, theoretically we would have the ability to negotiate these securities inappropriately. The same type of “incidental custody” may occur when a client requests that we move monies between two or more of their accounts. Even though the accounts are registered in the client name – because we have the ability to request the journal of cash from one account to another, without additional oversight by a third-party to perform the function, theoretically this journal request could be entered fraudulently. Due to the service level we wish to provide our clients, we have decided to continue to provide these services and incur “incidental custody” per the definition provided by the SEC. As a result of this incidental custody, C&C is subject to an annual custody audit, which is conducted on a surprise basis by an independent CPA firm registered as a member of the Public Company Accounting and Oversight Board.

### **Item 16 - Investment Discretion**

C&C uses investment discretion to buy and sell securities without prior client approval when agreed upon in the investment advisory contract. (C&C holds a limited power of attorney to act without prior consultation). Third-party managers also require discretionary trading authority and will require you to agree to such discretion by signing a limited trading authorization as part of their advisory agreement. When discretionary trading authority is granted, it is exercised consistent with the investment philosophy of the specific advisory program being managed, within the confines of any restrictions that have been agreed upon.

### **Item 17 - Voting Client Securities**

C&C does not vote its client proxies when utilizing the C&C Advisory Program. In most instances, when utilizing a TPAM or mutual fund manager, the manager overseeing the client account will vote client proxies. Please refer to the manager’s ADV Disclosure Brochure to determine their policy and procedures as it pertains to voting client proxies. You can obtain a copy of your mutual fund’s proxy voting policies online through the fund company website, or by reviewing fund documents filed with the SEC at [www.sec.gov](http://www.sec.gov).

When utilizing a wrap fee program, the proxy voting is determined by the wrap fee sponsor and the underlying manager in each program. Please refer to the appropriate Wrap Fee Sponsor Disclosure Brochure to ascertain whether client proxies are voted by the sponsor or you.

### **Item 18 - Financial Information**

An investment advisor must provide financial information if a threshold of fee prepayments is met; there is a financial condition likely to impair the ability to meet contractual commitments; or, if a party to a bankruptcy within the past ten years. C&C has no financial condition that is likely to impair our ability to meet our contractual commitments to you.

## **ITEM 19 – OTHER INFORMATION – PRIVACY POLICY**

FACTS	WHAT DOES CUTTER & COMPANY DO WITH YOUR PERSONAL INFORMATION?		
Why?	Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.		
What?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> <li>▪ Social Security Number</li> <li>▪ Financial Assets and Investment Experience</li> <li>▪ Risk Tolerance and Investment Objectives</li> <li>• Income</li> <li>• Tax Bracket</li> </ul> <p>All financial companies need to share customers’ personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers’ personal information; the reasons Cutter &amp; Company chooses to share; and whether you can limit this sharing.</p>		
Reasons we can share your personal information		Does Cutter & Company share?	Can you limit this sharing?
<b>For our everyday business purposes –</b> such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus		Yes	No
<b>For our affiliates’ every day business purposes –</b> information about your transactions and experiences		Yes	No
<b>For our marketing purposes –</b> to offer our products and services to you		No	No
<b>For joint marketing with other financial companies</b>		No	No
<b>Four our affiliates’ everyday business purposes –</b> information about your creditworthiness		No	No
<b>For nonaffiliates to market to you</b>		No	We don’t share
<b>For your Financial Advisor that transfers to another brokerage firm*</b>		Yes	Yes
Questions or to Opt Out?	<p>Call <b>800-536-8770</b></p> <p>*In the event your financial representative servicing your account leaves us to join another financial institution, the representative is permitted to retain copies of your information so that he or she can assist with the transfer of your account and continue to serve you at their new firm. The representative’s continuing use of your information will be subject to the new firm’s privacy policy.</p>		

Who we are	
Who is providing this notice?	Cutter & Company, Inc.
What we do	
How does Cutter & Company protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Cutter & Company collect my personal information?	We collect your personal information, for example, when you <ul style="list-style-type: none"> <li>▪ <b>Open an account</b> or <b>Seek advice about your investments</b></li> <li>▪ <b>Request a wire transfer</b> or <b>Supply your income information</b></li> <li>▪ <b>Supply your Employment History</b></li> </ul>
Why can't I limit all sharing?	Federal law gives you the right to limit only <ul style="list-style-type: none"> <li>▪ Sharing for affiliate's everyday business purposes – information about your creditworthiness</li> <li>▪ Affiliates from using your information to market to you</li> <li>▪ Sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>
What happens when I limit sharing for an account I hold jointly with someone else?	Your choices apply to you, individually, unless you state otherwise.
Definitions	
<b>Affiliates</b>	Companies related by common ownership or control. They can be financial and nonfinancial companies <ul style="list-style-type: none"> <li>▪ <b>Cutter &amp; Company</b></li> </ul>
<b>Nonaffiliates</b>	Companies not related by common ownership or control. They can be financial and nonfinancial companies <ul style="list-style-type: none"> <li>▪ <b>Cutter &amp; Company does not share with nonaffiliates so they can market to you.</b></li> </ul>
<b>Joint Marketing</b>	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"> <li>▪ <b>Cutter &amp; Company does not jointly market.</b></li> </ul>