

Item 1 – Cover Page



*For Institutional Clients and Retirement Plans*

Cutler Investment Counsel, LLC

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This Disclosure 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](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

For a reader's convenience, our Brochure is produced in two distinct versions—one for wealth management and other clients, and this one for institutional clients and retirement plans. Cutler has the following material changes to report. Material changes relate to Cutler's policies, practices or conflicts of interests.

- Compensation to Cutler for its Financial Planning services will generally be at the annual rate of a minimum of \$2500. (Item 4)
- Cutler provides compensation for referrals and/or leads. (Item 14)
- For institutional or retirement plan clients, Cutler does not recommend DIVHX. (Items 5, 10 & 11)

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## Item 4 – Advisory Business

Cutler Investment Counsel, LLC (“Cutler” or the “Firm”) is an investment advisory firm founded in 2003. Cutler & Company, Inc. was founded in 1977, and reorganized to Cutler Investment Counsel, LLC in 2003. Cutler is headquartered in Jacksonville, Oregon. Cutler provides the following services:

- Investment consulting and portfolio management for 401(k) and other retirement plans.
- Individual investment portfolios, using a full spectrum of asset classes and different types of securities (for example stocks, mutual funds, exchange traded funds (“ETFs”), and bonds). These investment programs are both risk-based portfolio and target-date portfolios. Certain Cutler employees advise clients on which investment portfolio may be most suitable for them.
- 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. This strategy is also available as a mutual fund, the Cutler Equity Fund (DIVHX), of which Cutler is the investment adviser.
- An automated investment program through which clients are invested in a range of investment strategies we have constructed and manage, each consisting of a portfolio of exchange-traded funds and a cash allocation. We use the Institutional Intelligent Portfolios® platform, offered by Schwab Performance Technologies (“SPT”), a software provider to independent investment advisors to operate the Program.
- Cutler will occasionally act as an expert witness in a court of law. Cutler generally charges \$300-\$400 per hour for this service.

Cutler will occasionally customize the above strategies, depending on the needs and objectives of individual clients.

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, which may be written or verbal. Whether provided verbally or in written form, Cutler will allocate assets according to these guidelines, until our client directs us to do differently. In this Brochure, we refer to any of these directives as “Investment Guidelines”, although they may also be referred to as an Investment Policy Statement. These Investment Guidelines are used to determine the suitable portfolio asset allocation and investment strategy for the client and/or the appropriate investment choices available for their participants. 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 or investment line-up.

Cutler also offers financial planning services as a compliment to discretionary investment management. Depending on the client engagement and Plan Sponsor service selections, these financial planning services may be available to participants, including some or all of the following:

- Balance Sheet Review
- Budget Review
- Cash Flow Analysis
- Investment Allocation
- Retirement Analysis
- Social Security withdrawal strategies
- College/Tuition Planning
- Coordination with Insurance Professionals, CPAs, and Estate Planning Attorneys
- Access to financial organization software

For individual clients choosing to engage Cutler solely for Financial Planning, our a la carte Comprehensive Financial Planning services are available for an annual retainer fee starting at \$2,500.00 depending on scope and complexity. Clients should understand that a conflict of interest exists because Cutler has an incentive to recommend its own investment management services as Cutler receives additional compensation for such services. Advice and recommendations will at times also be given on non-securities matters. Clients always have the right to accept or reject any or all recommendations made by Cutler. Should clients decide to act on such recommendations, clients always have the right to decide with whom they choose to do so. Cutler often helps clients manage cash flows with anticipated withdrawals and may take capital gains into consideration for clients with substantial tax liabilities. Cutler does not provide tax advice to clients.

### **Assets Under Management**

As of December 31, 2022, Cutler managed client assets totaling \$ 1,054,066,040. Of those assets, \$ 1,008,258,082 are managed on a discretionary basis and \$45,807,958 on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

Cutler's fee schedule is stated below. Fees are subject to negotiation. In addition, for family and friends of the Firm, the Firm may, in its sole discretion, reduce or waive management fees in their entirety. 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), including cash and cash

equivalents. Depending on the practices of the client's custodian or record keeper, the annualized fee calculation is based on month-end AUM, quarter-end AUM or applied to an average AUM of the last trading day of each month during the quarter. In all cases, fees are billed in arrears.

Clients generally authorize Cutler (or their record keeper) to directly debit fees from their account(s), however, in certain circumstances, Cutler may elect to invoice clients for their investment management or consulting fees. Unless otherwise agreed upon, Cutler does not provide invoices to those accounts whose fees are direct debited. Clients are asked to refer to their 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 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 the Cutler affiliated mutual fund also indirectly "pay" the fund's operating expenses. A portion of those fees include a management fee paid to Cutler. The current annual management fee paid to Cutler is 0.75% for the Cutler Equity Fund. Those management fees are accrued daily and paid to Cutler monthly in arrears. Certain fee waivers may apply as indicated in the fund's prospectus that could lower the amount Cutler actually receives. From Cutler's fee otherwise charged to a retirement plan, Cutler subtracts credits that reflect the plan's proportionate share of the fees the Cutler Funds paid Cutler. To compute those credits, Cutler will count the plan's assets invested in a Cutler Fund as of the same last trading days used to determine your before-credit fee, and will count the Fund's assets on each of those same days. For each Cutler Fund the plan holds (or held) shares of, Cutler will compute the ratios of the plan's portion of the Fund's assets. Regarding each Fund, Cutler will average the ratios and apply the result against Cutler's fees from the Fund paid in the quarter-year to determine the portion attributable to the plan. **Note:** For institutional or retirement plan clients, Cutler does not recommend DIVHX.

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.

Actual fees charged are provided in the client contract. For retirement plan accounts, Cutler's fee schedule is:

<b>Assets Under Management</b>	<b>Fee</b>
< \$1,000,000	1.00%
> \$1,000,000-\$2,000,000	0.80%
> \$2,000,000-\$5,000,000	0.60%
> \$5,000,000	Negotiable

We charge a minimum fee of \$2000 per year for ERISA/retirement accounts. Larger minimum fees may apply depending on the client negotiated fee structure. Retirement plan fees are charged proportionate as above (tiered), unless otherwise indicated in the client agreement.

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.

The fees for account balances over \$5,000,000 will be negotiated based upon the size, complexity, and the amount of time involved in managing the assets or other factors that Cutler and the Plan Sponsor determine appropriate.

At times, and in the sole discretion of the firm, Cutler will perform services pursuant to a fixed annual fee negotiated with the client and assessed quarterly. In such instances, clients are provided an invoice at the end of each quarter with payments due within fifteen days of delivery. Any such fixed fee arrangements will be included as part of the client agreement.

## **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 corporate pension and profit-sharing plans (including 401k plans), corporations, charitable institutions, foundations, endowments, registered affiliated mutual funds, trusts, and individuals (including high net worth individuals).

If a client's account is a retirement plan or other employee benefit plan governed by the Employee Retirement Income Security Act of 1974 ("ERISA"), Cutler may be a fiduciary to the plan. In providing investment advisory services, the 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 or your recordkeeper 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. 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 a responsible plan 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 and plan investment recommendations, as described below.

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), the quality of the company's public debt (if available), 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, by contacting Cutler, or via the Fund's distributor Ultimus Fund Solutions.

Cutler's Risk-based Portfolios and Target-Date Portfolios on our 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 Risk-based portfolios are constructed to specific expected return and volatility measures, based on historical data. They include the multiple strategies ranging from conservative to aggressive. The strategy names are not intended to reflect a specific investment objective, but are intended to reflect the risk relative to the other risk-based portfolios. As an example, the conservative strategy contains assets with potential for losses, and may not correspond to any specific individual's 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 risk-based portfolios may not necessarily perform according to their investment objective, meaning that the conservative portfolio may underperform the aggressive in a down market, and vice-versa. Additionally, there is a risk that a client may be in a portfolio that is too aggressive (too much risk too close to the asset's anticipated terminal date) or too conservative (not growing the assets enough generate sufficient income for their objectives).
- The Target-Date Portfolios are based on estimated retirement dates for a retirement plan's 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 similar risks as the risk-based 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.

In addition to the portfolio management services described above, Cutler serves as investment consultant for retirement platforms. In this capacity, Cutler is selecting investments which we deem to be suitable for retirement plan participants. Cutler selects investments with wide-ranging investment objectives, but a risk exists that these investments may not be applicable to all individual investment circumstances. In certain cases, clients may utilize Cutler constructed target-date funds described above, while for other's Cutler may select externally screened target-date funds, with commensurate risks as herein. Cutler will also select a line-up of mutual funds and ETFs representing various asset classes with an emphasis on identifying passively managed and low-cost funds. Occasionally, Cutler will include active funds in conditions where we feel it is warranted.

There are risks specific to the underlying investments of each ETF and mutual fund utilized in these 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 a client or prospect's evaluation of Cutler or the integrity of Cutler's Management. Cutler currently does not have any information applicable to this item. Please visit [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) for disclosures pertaining to your specific consultant or advisor.

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

Cutler is affiliated with the Cutler Trust, as the investment adviser for the Cutler Equity Fund (DIVHX, an Affiliated Fund). Several of Cutler's employees are also officers or Trustees of DIVHX. For institutional or retirement plan clients, Cutler does not recommend DIVHX. However, Cutler does recommend DIVHX to wealth management clients. Wealth management clients should see Item 10 of Cutler's wealth management client 2A brochure for information related to the conflicts of interest associated with DIVHX.

Neither Cutler nor its advisers receive commissions or any other transaction-based compensation in connection with DIVHX.

Each prospective investor in DIVHX, prior to making an investment decision to purchase interests, is encouraged to consider all factors the investor deems relevant to an investment in DIVHX, including the conflicts of interest noted above and elsewhere, and to consult with their own advisors regarding such potential investment. The conflicts surrounding these outside business activities are disclosed to clients at the time of entering into an advisory agreement with Cutler, mainly through the delivery of this Brochure, the Supplemental Brochures (ADV Part 2Bs) and the Form CRS (ADV Part 3). Additionally, Cutler has implemented certain policies, procedures and internal controls to help mitigate the conflicts. Importantly, as part of Cutler's fiduciary duty to clients, Cutler and its advisers endeavor at all times to put the interests of the clients first, and recommendations and investments will only be made to the extent that they are reasonably believed to be suitable and in the best interests of the client.

For more information on DIVHX, please request a copy of the Prospectus and Statement of Additional Information, which can also be found via our website.

When leaving an employer, clients typically have four options regarding their existing retirement plan: (1) leave the assets in the former employer's plan, if permitted, (2) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (3) roll over the assets to an Individual Retirement Account ("IRA"), or (4) take a full withdrawal in cash, which would result in ordinary income tax and a penalty tax if the person is under age 59 1/2. At times, as part of its services, Cutler recommends that clients roll over their 401(k) or other qualified plan assets to an IRA. This rollover recommendation presents a conflict of interest in that Cutler will receive compensation (or may increase current compensation) when investment advice is provided following the client's decision to roll over plan assets. Clients who have assets in retirement accounts elsewhere would potentially pay a larger fee if rolled into an IRA or Roth IRA with Cutler as the adviser. Cutler will only recommend rollovers if it's in the best interest of the client. Instances, where it may be in the best interest of the client include, but are not limited to, (i) simplifying the client's account management (reduce the number of retirement accounts), (ii) have professional management of their account, (iii) limited investment options at current retirement plan, and/or (iv) high administrative fees. Prior to making a decision, each client should carefully review the information regarding rollover options provided by Cutler, and are under no obligation to rollover retirement plan assets to an account managed by Cutler.

Neither Cutler nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

## **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 DIVHX, Cutler's Affiliated mutual Fund, since Cutler earns management fees as the Investment Adviser to that Fund. For institutional or retirement plan clients, Cutler does not recommend DIVHX. However, Cutler does recommend DIVHX to wealth management clients. Wealth management clients should see Item 11 of Cutler's wealth management client 2A brochure for information related to the conflicts of interest associated with DIVHX.

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 and Form CRS.

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 equitably and, if applicable, 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**

Cutler does not participate in formal soft dollar arrangements and has not generated a soft dollar commission in the past five years. We do, however, receive benefits from certain custodians that are discussed in more detail in Item 12 (below).

### **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 or the presence of certain Standing Letters of Authorization (as discussed below in Item 15). 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), Empower (Pershing, LLC), US Bank, and/or Matrix Trust Company registered broker-dealers and members of SIPC, as their qualified custodian. In addition, our clients use Fidelity, Voya, Transamerica, Vanguard, John Hancock Trust Company, D.A Davidson, Wells Fargo, and Morgan Stanley. Clients who utilize the “Intelligent Portfolio” product are restricted to use Schwab as their custodian/broker, however, the client decides to do so by opening a brokerage account agreement directly with Schwab. 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. Benefits accrued to Cutler and Cutler clients for Schwab’s custody are detailed herein. Other custodians may, from time-to-time, provide comparable benefits; both directly to the client and Cutler as well as the indirect benefits included below.

Cutler does not open the account for clients, although they may assist in doing so. Even though client accounts are maintained at a third-party custodian, Cutler can still use other brokers to execute trades for client accounts.

## 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"*)

## 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 our 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 level of assets that we manage. 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.

The availability of services from the custodians mentioned above benefit Cutler because Cutler does not have to produce or purchase them. Cutler doesn't have to pay for these services, and they are not contingent upon Cutler committing any specific amount of

business, either in trading commissions or assets in custody. With respect to the IIP program, Cutler does not pay Schwab fees for the program so long as Cutler custody's the accounts at Schwab. This fee arrangement, in addition to those services that benefit Cutler's business (as described above) give Cutler an incentive to recommend that our clients custody their assets with Schwab, rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a potential conflict of interest. Cutler believes, however, that our recommendation of Schwab (or any other custodian) as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality, and price of their services and not their services that benefit only Cutler.

### **Item 13 – Review of Accounts**

Cutler's portfolio managers review client 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 Guidelines (or other written instruction) of the client (where applicable). Institutional consultants and Advisors are responsible for reviewing their client's investment allocations to confirm they are suitable and consistent with any Investment Guidelines.

The reviewer on most of Cutler's accounts is the Chief Investment Officer, Erich Patten. For some of our advisory accounts, the consultant or advisor assigned to the account may be responsible for the review of their assigned accounts in conjunction with Erich Patten. 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, or a related person, does not have any arrangement, oral or in writing, where it is paid cash by or receives some economic benefit for referring clients. As discussed under Item 12, Cutler receives certain "soft dollar" benefits whereby brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist Cutler in its investment decision-making process. The receipt of such services may be deemed to be the receipt of an economic benefit by Cutler, and although customary, these arrangements give rise to potential conflicts of interest, including the incentive to allocate securities transactional business to broker-dealers based on the receipt of such benefits rather than on a client's interest in receiving most favorable execution.

As described above, Cutler regularly recommends investments in DIVHX to certain of its advisory clients and other persons. Please see Items 4, 10, and 11 for additional information related to Cutler's relationship with DIVHX, and conflicts of interest related thereto.



Cutler participates in the Ramsey Solutions Smartvestor Pro program. In the program, Cutler pays a monthly fee to Ramsey Solutions who provides the names of Smartvestor Pro participant when requested by visitors to the Ramsey Solutions website. The referral is based on geography so Cutler cannot pay a higher rate to receive priority referral positioning.

Cutler compensates Advice Chaser as a lead generator for advisory referrals. Cutler will provide data to Advice Chaser that may match certain clients with the services of Cutler. Compensation will be paid by Cutler for referrals, and the fee for referrals will be properly disclosed to any potential clients of Cutler in accordance with the Promoter Agreement entered into between the parties.

All referral activities will be conducted in accordance with the Advisers Act, where applicable.

## **Item 15 – Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains their investment assets. Cutler urges each of our clients to carefully review such statements and compare such official custodial records to any account statements that Cutler may provide. 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 immediately 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. We also have certain "Standing Letters of Authorization" (SLOA) that allow us to transfer monies on behalf of our clients. Under government regulations these business processes deem us as having custody of our clients' accounts. We do not hold your assets, your qualified custodian does. As part of our 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. For questions regarding SLOAs and Cutler's custody of your account, please contact your consultant or advisor at Cutler.

## **Item 16 – Investment Discretion**

Cutler usually receives discretionary authority from the client at the onset of an advisory relationship under ERISA code § 3(38). When Cutler has received discretion from the client, we will select investments in accordance with the Plan's Investment Guidelines. 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.

At times, Cutler will perform its services on a non-discretionary basis. Non-discretionary investment management services means the client retains full discretion to supervise, manage, and direct the assets of the account. Cutler will make recommendations on how the account should be managed; however, Cutler will have to receive the client's permission prior to placing any trades. Non-discretionary accounts may have their performance impacted by the time necessary to communicate and execute trades with client permission.

## **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.

Cutler utilizes a third-party vendor to assist in the facilitation of voting client proxies.

## **Item 18 – Financial Information**

Registered Investment Advisers are required to provide our clients with certain financial information or disclosures about Cutler's financial condition. However, as Cutler does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance, Cutler is not required to provide, and has not provided, a balance sheet.

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