**Cutter & Company, Inc.**

**Investment Advisor**

**Compliance**

**and**

**Supervisory**

**Manual**

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# I. Introduction

## **A. Purpose**. **Cutter & Company, Inc.** (“Company”) is an Investment Advisor registered with the Securities Exchange Commission ‑ SEC file number 801 ‑ 39590. This manual contains the written supervisory procedures of the Company and shall be followed by all Investment Advisor Representatives (IAR’s) of the Company in the carrying out of their responsibilities. Its purpose is to help ensure that the Company conducts its business in compliance with all applicable federal and state laws, rules and regulations and in keeping with the highest level of professional and ethical standards.

## **B. Guidelines Only**. The information and procedures provided within this manual represent ***guidelines*** to be followed by the Company’s supervisory personnel and its IAR’s and are not inclusive of all laws, rules and regulations that govern the activities of the Company.

## **C. Amendments**. The Company’s Chief Compliance Officer will review this manual at least annually and amend it as appropriate within a reasonable time after changes occur in federal and state securities laws, rules and regulations, and as changes occur in the Company’s supervisory system.

## **D. Questions**. Any questions concerning the policies and procedures contained within this manual or regarding any regulations should be directed to the appropriate supervisor or to the Chief Compliance Officer.

## **Limitations on Use**. The Company is the sole owner of all rights to this manual and it must be returned to the Company immediately upon termination of employment or affiliation. The information contained herein is confidential and proprietary and may not be disclosed to any third-party or otherwise shared or disseminated in any way.

## **Abbreviations**. For purposes of this manual, the following abbreviations have been used:

Cutter & Company, Inc. Company

Chief Compliance Officer CCO

Business Continuity Plan…………………………………… BCP

Employee Retirement Income Security Act ERISA

Investment Advisors Act of 1940 Advisors Act

National Securities Market Improvement Act, 1996 NSMIA

Investment Advisors Registration Depository IARD

Investment Advisors Supervision Coordination Act The Coordination Act

Financial Industry Regulatory Authority FINRA

U.S. Securities and Exchange Commission SEC

Investment Advisor Representative………………………… IAR

# II. Registration And Licensing

## **A. Registration**. Prior to October 1996, all investment advisor firms were required to register with the SEC. However, under the Coordination Act of NSMIA, which went into effect in July 1997, those firms managing under $25 million in client assets were required to register with the applicable state securities commissions, while those managing in excess of $25 million retained SEC registrations. As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, effective July 21, 2011, all investment advisors managing less than $100 million must register with the appropriate state securities commission(s) – and withdraw their registration from the SEC (if previously registered there). Cutter & Company manages in excess of $100 million. Therefore, the Company is required to register as an investment advisor with the SEC. The Company is also required to register in its “home” state and file a “notice filing” in any other state in which it: has a place of business; holds itself out as an investment advisor; has more than five (5) clients (may vary by state); or has IAR’s with a place of business in that state. The Chief Compliance Officer (CCO) shall ensure that the Company and its IAR’s are at all times properly registered and licensed as required by applicable federal and state rules and regulations.

**B. Designation of Chief Compliance Officer (CCO)**. Effective 10/5/04, the Company has designated Deborah Castiglioni as the Chief Compliance Officer. This individual will be responsible for all compliance functions. This individual has been empowered by the Company with full responsibility and authority to develop and enforce appropriate policies and procedures for the Company. These policies and procedures will be reasonably designed to prevent violation of federal and/or state securities laws. The CCO will be responsible for the review of the Company’s policies and procedures on an annual basis, or more frequently as necessary, making changes in such policies and procedures when required. Copies of the Company’s policies and procedures will be maintained for a minimum of 5 years.

## **C. Definition of “Investment Advisor Representative” (IAR)**. IAR’s include individuals meeting one of the following criteria:

### **1.** Any partner, officer, director or any person performing similar functions employed by or associated with the Company (except for clerical or ministerial personnel) who:

#### a. makes discretionary decisions regarding securities or fixed income products on behalf of clients;

#### b. manages accounts or portfolios of clients;

#### c. determines what advice should be given;

#### d. solicits the sale of or sells investment advisory services (unless incidental to his or her profession); or,

#### e. supervises employees who perform any of the foregoing.

**D. Form ADV/CRS**. The Company will file Form ADV and Form CRS through the IARD.

**Part 2 of Form ADV**. *Part 2 of Form ADV* discloses, among other information, the Company’s services and fee structure, and potential conflicts of interests. The Company uses Part 2A and B of Form ADV as its disclosure brochure. The Company will amend its disclosure brochures promptly when they become materially inaccurate by substituting the incorrect language with accurate wording and preparing a separate summary of the material changes that were made, to be included as part of our ADV Part 2, either within the brochure (cover page or the page immediately thereafter) or as an exhibit to the brochure. Additionally, the Company will deliver or cause delivery of the Part 2 and Form CRS to prospective clients, and provide to existing clients a summary of any material changes to the Part 2 brochure within 120 days of such change and any material changes to Form CRS within 60 days of any material updates being made. The Company is required to file the ADV Part 2 electronically with the SEC no later than 90 days after the fiscal year end (March 31st). Individual disclosure brochures for each IAR and/or investment advisory team will be delivered to all prospective clients at the time of, or prior to, the opening of an account. An updated IAR brochure will be mailed to existing clients within 120 days, if/when there are material changes made.

**E. Review and Updating of Form**. It is the responsibility of the CCO to review the ADV documents and Form CRS on an ongoing basis to ensure that all information is current and accurate. The Company will file amendments to the Forms ADV through the IARD at least annually (within 90 days of fiscal year end, or more frequently, if required). Form CRS will be updated and filed with the SEC within 30 days of any material change. Existing clients will receive notice of any material changes to Form CRS within 60 days.

## **F. Filing Fees**. The CCO will also be responsible for maintaining required capital balances with FINRA to facilitate the payment of annual registration fees for the Company and its IAR’s as well as renewal fees when they are due.

## **G. Withdrawal from SEC Registration**. If at any time the Company is required to withdraw from registration with the SEC, it will do so by filing electronically the Form ADV-W through the IARD. The Form ADV-W will also permit the firm to request “partial withdrawal” to omit certain items that are not required from the Company if it is continuing in the business as a state-registered advisor.

## **H. Regulatory Reporting**

## **1. Annual Renewal**. The Company will file an annual updating amendment and ADV Part 1 and 2A via the IARD system within ninety (90) days after its fiscal year-end. It is the responsibility of the CCO to file or cause the filing of the annual updating amendment and the ADV Part 1 and 2A.

### **2. Material Changes**. In addition to the annual updating amendment, the CCO is responsible for filing additional amendments promptly if:

* information provided in response to Items l (except 1.0 and Section 1.F of Schedule D), 3, 9, (except 9.A(2), 9.B(2), and 9.(E) and 9.(F)), or 11 of Part 1A or Items 1, 2.A. through 2.F., or 2.I. of Part 1B or Sections 1 or 3 of Schedule R becomes inaccurate in any way;
* information provided in response to Items 4, 8, or 10 of Part 1A or Item 2.G. of Part 1B or Section 10 of Schedule R becomes materially inaccurate; or
* information provided in the Company brochure (ADV Part 2) becomes materially inaccurate.
* ADV Part 2B will be promptly updated if any part of it becomes *materially* inaccurate

*NOTE: If an “other-than-annual” amendment is being submitted, responses to Items 2, 5, 6, 7, 9.A(2), 9.B(2), 9.E, 9.F or 12 of Part 1A, Items 2.H. or 2.J. of Part 1B, Section 1.F of Schedule D or Section 2 of Schedule R are not required to be updated, even if responses to those items have become inaccurate.*

**3. Section 13 Reporting Requirements Regarding Securities Holdings.** Sections 13(d), (f), (g) and (h) of the Securities Exchange Act of 1934 are intended to provide regulators, investors and the subject issuers with information about accumulations of securities that may have the potential to change or influence control of the issuer. Section 13 is concerned with voting authority and identifying large traders.

Section 13(d):

Any beneficial owner of more than 5% of the outstanding shares of a voting equity security must report on Schedule 13(d). The intent of Section 13(d) is to supply information concerning certain accumulations of beneficial ownership, presumably with either the intent or effect of causing a change in control of an issuer. Exception reports generated by our clearing partners provide us with the ability to review our equity holdings to verify if/when a Section 13(d) filing is or will be required.

Section 13(f):

An institutional investment manager that exercises discretion with respect to 13(f) equity securities having an aggregate fair market value of at least $100,000,000 ($100 million) on the last day of any month, shall file a 13F Report within 45 days after the last day of a calendar year when the firm first hit the $100 million mark, and subsequent quarters as instructed on Form 13F.

The Company has discretionary equity assets under its management that exceeds $100 million and subsequently the Company currently files a 13F report within 45 days calendar days after each quarter end.

Section 13(g):

Certain types of institutional investors, (broker/dealers, investment advisors, banks, insurance companies and mutual funds, among others) are permitted to file a short form filing to report a position over 5% of the outstanding shares of a company. The criteria require that the institutional investor has acquired its beneficial interest in the shares in the ordinary course of business and not for the purpose or effect of changing or influencing control. Section 13(g) seeks information about ownership status, not acquisition. The 13(g) filing is required on an annual basis. The Company reviews its equity holding exception reports to determine if the Company owns a position of 5% or more of the outstanding shares of a company and will file a 13(g) report when and as necessary.

Section 13(h):

Large traders (a person whose transactions in NMS (exchange listed) securities equal or exceed 2 million shares or $20 million during any calendar day, or 20 million shares or $200 million during any calendar month) will file form 13H within 10 days of the triggering event. Form 13H is filed at least annually, and with quarterly updates should significant changes occur (e.g., selecting a new broker).

The Company regularly reviews its trading activity levels to ascertain whether or not a 13H filing is required and will file a 13H within 10 days of the first triggering event requiring the Company to do so.

## **State Licensing and Registration**

### **1. State Requirements**. As noted, the Company must maintain its home state registration, as well as notice file as an Investment Advisor in some or all of the states in which it conducts business or maintains an office. Additionally, IAR’s of the Company may need to be registered, licensed or otherwise qualified in those states where they have offices or clients.

### **2. Supervisory Responsibility**. It is the responsibility of the CCO or her designated supervisor to be aware of the particular requirements of the states in which the Company operates and to ensure that the Company and its IAR’s are properly registered, licensed and qualified to conduct business pursuant to all applicable laws of those states.

### **3. Restrictions**. Unless otherwise permitted by regulation, the Company and its IAR’s may not solicit or render investment advice for any client domiciled in a state where the Company is not properly registered.

## **J. Investment Advisor Representative Registration**

### **1.** The CCO will serve as the Super Account Administrator with IARD/CRD. The CCO or her designated supervisor is responsible for filing all necessary registration and licensing materials with federal and state regulatory agencies in connection with the registration of each IAR.

### **2.** The Company will not register an individual as an IAR of the Company until all prior associations with other investment advisors have been terminated, or dual licensing has been approved by the CCO and the state where registration is required.

### **3.** Once the CCO is satisfied that the IAR is required to register with a state, and can qualify for such registration, the CCO or her designated supervisor will review the registration requirements of the applicable state(s) and make the necessary filings.

### **4.** The CCO shall maintain all registration records for each IAR, including physical and/or electronic copies of Form U-4 and U-5 (where allowed to be maintained electronically), employment applications, reference checks, background reviews and correspondence.

### **5.** The IAR may not provide investment advice to any client until he or she has received notice from the CCO, or her delegate, that he or she has been granted an IAR registration status (license) from the appropriate state (unless such license is not necessary).

## **K. Registration Amendments**

### **1.** Each IAR must notify the CCO if any information required by the Form U-4 becomes outdated. Depending upon the information updated, an amendment to the Form U-4 may be required. If such an amendment is required, it will be the responsibility of the CCO or her designated supervisor to file the amendment with the appropriate jurisdiction.

## **L. Supervision of Sub-Advisors** The CCO will be responsible for supervising any sub-advisor to whom the Company may refer clients. This will be accomplished by doing the following:

## **1.** Periodic review of the sub-advisor’s form ADV.

### **2.** When appropriate, conducting periodic meetings with senior management and/or compliance personnel of the sub-advisor;

### **3.** Periodically reassess supervisory procedures applicable to the sub-advisor in light of:

* Changes in a sub-advisor’s investment strategy or portfolio manager;
* Significant changes in the sub-advisor’s business;
* Dramatic changes in market conditions; or
* Any other event likely to have a significant effect on the sub-advisor’s operations.

### **4.** Review of due diligence performed by Wells Fargo Advisors Manager Strategy Group when related to sub-advisors utilized within the Unified Management Program of separately managed account managers – including but not limited to: Master’s, Diversified Managed Allocations, Allocation Advisors and Compass programs.

# III. Books And Records

## **A. Responsibility.** The CCO is responsible for ensuring that books and records of the Company are promptly and accurately prepared and maintained.

## **B. Five Year Requirements**. The following records shall be maintained for a period of not less than five (5) years:

### **1.** Journals (cash receipts, cash disbursements, etc.);

### **2.** General ledgers (asset, liability, capital, income/expense accounts, etc.);

### **3.** Order tickets;

### **4.** Check books, bank statements, canceled checks, balance sheets, cash reconciliations;

### **5.** Bills (paid and unpaid);

### **6.** Trial balances and financial statements;

### **7.** Written communications received from clients (originals);

### **8.** Written communications sent to clients (copies);

### **9.** A list of advisory clients and accounts over which the Company has discretion;

### **10.** Discretionary power authorization forms (executed); Written Customer Agreements

### **11.** Advertisements and performance calculations (if any);

### **12.** A record of every transaction in a security in which the Company holds a direct or indirect ownership interest;

### **13.** Disclosure Document (Form ADV Part 1 and 2A or substitute and each amendment thereto);

**14**. IAR Disclosure Document (ADV Part 2B)

### **15.** Solicitors’ Disclosure Document (if solicitors refer business to the Company or Company solicits business to a third party asset manager);

### **16.** Copy of client notifications providing the Company Disclosure Document and/or statement of material changes, if applicable;

### **147.** Written agreements entered into by the Company (maintained for a period of not less than five (5) years after termination of relationship);

### **158.** Customer complaint file;

### **169.** Copies of the Company policies and procedures and any amendments thereto.

## **C. The Use of Electronic Media to Maintain and Preserve Records**. The CCO shall promptly provide (1) legible, true, and complete copies of these records in the medium and format in which they are stored; and (2) a means to access, view, and print the records upon request by any regulatory authority

## **D. Corporate Records**. Articles of Incorporation, Minute Books, Stock Certificate Books and other corporate records shall be maintained at all times and for a period of not less than three (3) years after termination of the Company’s existence. Such records shall be maintained at a location with reasonable access, and which shall be communicated to the proper regulatory authority upon the required filing of Form ADV-W. Any change in the location of such records will be communicated to the proper regulatory authority promptly.

### **Security**

### **1**. The CCO will inform all personnel with access to customer records not to leave their computers unattended unless they are turned off or secured in an appropriate manner. Screensavers are set to display after 30 minutes of inactivity at a desktop. Computer passwords are required to be updated every 180 days.

### **2**. The CCO will take steps to assure that whenever an employee/independent contractor leaves the Company any system accesses, passwords or codes used to gain access to that person’s computer or other company applications is terminated or changed.

**3**. The firm subscribes to KnowBe4, a cyber security firm that allows us to send phishing attempts to our employees and independent contractors to maintain security awareness. Additionally, they provide training modules that we may use for those that fail the phishing attempts we initiate, and / or to facilitate cybersecurity awareness training.

**4.** The firm engages an outside business partner to perform penetration testing of our IP address quarterly.

**5.** See the firm Cybersecurity Manual for additional security protocols and more detailed information.

## **F. E-Mail Retention** – Advisor shall maintain a record of all e-mails that pertain to advice being offered, recommendations being made, transactions executed and orders received. This will be done in such a manner that permits easy location, access and retrieval. The Company will limit access to these records to properly authorized individuals. The CCO, or designated supervisor, will routinely review E-mail correspondence by sampling approximately 5% of incoming and outgoing e-mail, to include e-mail captured due to key words used in our e-mail provider’s system, but excluding e-mail sent by issuers or venders. The CCO will provide promptly any of the following, if requested by any regulatory authority:

## **1**. A legible, true, and complete copy of an e-mail in the medium and format in which it is stored;

## **2**. A legible, true, and complete printout of the e-mail; and

## **3**. Means to access, view, and print the e-mail.

## **Business Continuity Plan (BCP)**

## **1.** The Company has in place a BCP that addresses a short-term interruption to our business, extended interruption (more than 48 hours) and permanent failure of the Company.

## **2**. The BCP calls for specific management personnel to contact the respective staff members listed as part of their emergency call tree contacts. Our alternate temporary facility is listed in the BCP, as well as our second, remote backup facility in the event of a geographic disaster. In the event of a disaster, Deborah Castiglioni or William Meyer will contact the regulatory authorities to report the emergency and its nature.

## **3**. The Company will provide periodic training of staff to help prepare for an unexpected emergency.

# IV. Fiduciary Capacity

## **A. Fiduciary Duty**. Pursuant to *Section 206 of the Advisors Act*, both the Company and its IAR’s are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this Section involves more than acting with honesty and good faith alone. It means that the Company has an affirmative duty of utmost good faith to act solely in the best interest of its clients. Engaging in any fraudulent or deceitful conduct with clients or potential clients is strictly prohibited. Examples of fraudulent conduct include, but are not limited to: misrepresentation, nondisclosure of fees, and misappropriation of client funds.

**B. Fiduciary Obligations.** Clients that receive a recommendation to rollover or transfer their qualified plan account assets or transfer their IRA account to an IRA with The Company will receive a written fiduciary attestation. The Company and its IAR’s are subject to the following specific fiduciary obligations when dealing with clients:

### The duty to have a reasonable, independent basis for the investment advice provided;

### The duty to obtain best execution for a client’s securities transactions where the IAR is able to direct brokerage transactions for that client;

### The duty to ensure that investment advice is suitable to meeting the client’s individual objectives, needs, and circumstances.

#### **V. Client Accounts and Documents**

#### **A. Client Contracts -** All client contracts must meet, at a minimum, the following General Requirements:

#### **1**. Contracts must not be assignable without written client consent;

#### **2**. No contract provision or hedge clause may be used to waive the Company’s compliance with the Advisors Act or other applicable regulations;

#### **3**. Contracts may not provide the Company with compensation based upon capital appreciation except under certain limited circumstances;

#### **4**. Contracts must include a signed acknowledgment by the client of receipt of disclosure documents; and,

#### **5**. All contracts must be in writing and signed by both the client and an authorized representative of the Company.

#### **6**. The Company’s procedures for protecting the confidentiality of client information;

#### **7**. A description of the type and frequency of reports to be provided to clients;

#### The procedures and time required to terminate the contract;

#### The procedures for fee settlement in the event of termination of the contract; and,

#### The term of the contract and any renewal requirements;

#### The existence of any investment guidelines or restrictions on the account;

#### The Company’s use of affiliated broker-dealers and any inherent conflicts of interest;

## **B. Disclosure Documents**

### **1. Brochure Rule**. *Rule 204-3 of the Advisors Act* requires the Company to provide certain written disclosures to prospective and existing clients at specified times. The Company utilizes the actual Form ADV Part 2A and Form ADV Part 2A Wrap Fee Programs as its disclosure brochure(s).

### **2. Delivery**. The brochure is furnished to the client or prospective client prior to or at account opening when the investment advisory contract is signed by the client(s), acknowledging receipt of same.

### **3. Form of Delivery**. On an annual basis, the Company will deliver a summary of material changes, if any, to their ADV 2A / ADV 2A Wrap Fee Programs brochures since the last version was provided. If no material changes were made, the most current version of the brochure will be mailed, or delivered electronically when authorized by the client, within seven (7) days of a client’s request.

## **C. Custody of Client Assets**

**1. Definition of Custody**. Investment advisors with custody or possession of advisory client funds or securities must comply with Rule 206(4)-2, under the Advisors Act. Rule 206(4)-2 is designed to protect clients from insolvency of the advisor and misappropriation of their assets by requiring such advisors to institute certain safeguards. The amended Rule defines custody as holding, whether directly or indirectly, a client’s funds or securities or having authority to take possession of them. An advisor also has custody if it is authorized to deduct fees or expenses directly from the client’s account.

The Company performs certain functions that require us to have “incidental” custody of client assets. Although all client funds are held by a qualified custodian, the custodian requires us only to attest that we have a client’s written instruction for the transfer or issuance of funds or securities – they do not require us to produce the client signed request. In addition, due to performance of certain functions, such as the deduction of client fees, deposits of securities certificates and/or journaling cash and/or securities amongst accounts with the same registration without requiring written authorization from the client, the Company is deemed to have custody and must undergo a surprise custody audit examination.

Each calendar year the client’s funds and securities, over which the firm has custody, are verified by actual examination by an independent public accountant, pursuant to a written agreement. The independent public accountant retained to perform the independent verification (surprise exam) must be registered with, and subject to regular inspection by the Public Company Accounting Oversight Board (“PCAOB”) in accordance with its rules. The audit is conducted at a time that is chosen by the accountant, without prior notice or announcement to the firm.

The Company is not required to prepare an internal control report as part of its incidental custody of client funds, in that neither the Company, nor any related party of the Company, maintains client funds or securities.

**2. Receipt of Third Party Funds**. If the Company receives a check from a client payable to a third party, the Company will make a photocopy of the check and then forward the check directly to the third party. A copy of the check and the transmittal form will be kept in the Checks/Deposits file. A notation of the receipt of the check including the client’s name, date received, amount, and name of third party to whom the check is payable as well as the date the check was forwarded will be made in a Checks/Deposits blotter.

### **Account statements**. The Company will rely on the client’s qualified custodian to send monthly account statements directly to the client. During periods of inactivity, a statement will be sent to the client at least quarterly. When assets are not held by the clearing firm(s) of the Company’s broker-dealer division, we will instruct the client to request that a copy of their statements be sent to the Company.

### **4. Suppression of Confirmations**. In certain circumstances the Company will agree to suppress confirmations. The Company will require the client to submit such requests in writing. A record of such requests will be kept in the client file. The client must continue to receive their periodic statements (monthly/quarterly).

## **D. Performance Fees**

### **1. Permitted Use**. Performance fees are permitted under certain circumstances as described in *SEC Rule 205-3* and under the *National Securities Markets Improvement Act of 1996*. Such circumstances include:

#### a. **Qualified Clients**. *Rule 205-3* permits the use of performance fee advisory contracts when dealing with “qualified clients” which are defined as:

##### 1. Any natural person who or a company that immediately after entering into the contract, has at least $1,100,000 under the management of the investment advisor;

2. A natural person who or a company that the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:

a. Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than $2,200,000 at the time the contract is entered into; or

b. Is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the contract is entered into; or

3. A natural person who immediately prior to entering into the contract is:

a. An executive officer, director, trustee, general partner, or person serving in a similar capacity, of the investment adviser; or

b. An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

### **2. Disclosure**. *Rule 205-3* only requires that clients meet the prescribed eligibility tests. Fiduciary obligations, though, require that the Company deal fairly with its clients and make full and fair disclosure of its compensation arrangements. This obligation includes full client disclosure of all material information regarding a proposed performance fee arrangement as well as any material conflicts posed by the arrangement.

## **E. Regulation S-P (Privacy)**

### **1. Privacy of Client Financial Information (Regulation S-P)**

The Company has in place policies and procedures reasonably designed to (a) ensure the confidentiality of customer records and information; (b) protect against any anticipated threats or hazards to the security of customer records and information; and (c) protect against unauthorized access or use of customer records or information that could result in “substantial harm or inconvenience” to any consumer. The privacy provisions of Regulation S-P will apply to information that is “nonpublic personal information.”

***Nonpublic information***, under Regulation S-P, includes “personally identifiable financial information” and any list, description, or grouping that is derived from personally identifiable financial information.

***Personally identifiable financial information*** is defined to include three categories of information:

* ***Information Supplied by Client***. Any personal information in addition to client’s basic name and address that is provided by a client or prospective client to the Company in order to obtain a financial product or service. This would include information or material given to the Company when entering into an investment advisory agreement.
* ***Information Resulting from Transaction.*** Any information that results from a transaction with the client or any services performed for the client. This category would include information about account balances, securities positions, or financial products purchased or sold through a broker/dealer.
* ***Information Obtained in Providing Products or Services***. Any information obtained by the Company from a consumer report or other outside source which is used by the Company to verify information that a client or prospective client has given on an application for advisory services. The Company will issue an initial and an annual privacy notice to all clients.

### **2. The Company’s Privacy Policy**

As a general policy, the Company will not disclose personal financial information about any client to non-affiliated third parties except as necessary to establish and manage the client’s account(s) or as required by law. In these situations, personal financial information about a client may be provided to the broker/dealer or other custodian maintaining these accounts.

The Company Privacy Policy does allow for an independent contractor representative that resigns from the firm to retain the client information they have in their records to assist them in transferring their accounts to their new firm. Clients can “opt out” of allowing the continued use of their personal information to their departing representative if they choose to do so.

In addition, the Company will restrict access to clients’ non-personal financial information to those employees who need to know such information in order to provide products or services to clients. The Company will maintain physical, electronic, and procedural safeguards that comply with federal standards to guard each client’s personal financial information. Such safeguards include restricting the use of any information contained in the client New Account paperwork and Management Agreement to each client’s personal account manager and alternate operations support staff in the account manager’s absence, the manager’s supervisor and the Company’s CCO or such other persons as the CCO deems needs to know the information. Hard copy of client personal financial information will be maintained in the Company’s central files and will be secured (locked) after normal business hours.

## **F. Anti-Money Laundering**. Effective January 1, 2013, the Company’s broker-dealer division CCO, Nancy Richter, will act as the Company’s Anti-money laundering (AML) Compliance Officer. It will be the AML Compliance Officers’ responsibility to assure that the Company’s AML policies and procedures are being followed. As such, the AML Compliance Officer will be empowered by the Company with full responsibility and authority to develop and enforce appropriate AML policies and procedures. Further, it will be the AML Compliance Officers’ responsibility to update and keep current such AML policies and procedures. The Company, as a matter of policy, will not be party to any transaction and will not facilitate any transaction with any person(s) or entity(ies) listed on the web site maintained by the Office of Foreign Assets Control (www.treas.gov/ofac) (*Prohibited Person*). If the AML Compliance Officer learns that any *Prohibited Person* is, or is attempting to become, involved in any transaction with respect to the services that the Company provides, the AML Compliance Officer will immediately investigate and report such transaction as required.

At a minimum, it will be the AML Compliance Officers’ responsibility to:

### **1.** Establish and implement policies, procedures, and internal controls reasonably designed to prevent the Company from being used to launder money or finance terrorist activities, including but not limited to achieving compliance with applicable provisions of the Bank Secrecy Act (BSA) and the Financial Crimes Enforcement Network’s (FinCEN) implementing regulations. The AML Compliance Officer will review the types of services the Company provides and the nature of its clients in order to identify the Company’s vulnerability to any money laundering activities. The AML Compliance Officer will, after such review, develop and implement policies and procedures that would reasonably address such issues and periodically assess the effectiveness of such policies and procedures.

### **2.** Provide for independent testing of compliance with the Company’s AML policies and procedures. The testing of these policies and procedures will be conducted at least annually, by a qualified independent party. A written assessment of the Company’s AML policies will be generated, reviewed by the AML Compliance Officer and retained in the Company’s AML records. Any recommendations resulting from such review will be promptly addressed.

### **3.** Provide, at least annually, training for all employee/independent contractors of the firm. These employees/independent contractors will be made aware of BSA requirements relevant to their functions and trained in recognizing possible signs of money laundering that could arise in the course of their duties. The AML Compliance Officer will evaluate the effectiveness of such training programs and adjust the program(s) offered as needed. Further, the AML Compliance Officer or her delegate will document such training sessions by recording the names of those individuals attending and the dates of attendance. See the Cutter & Company Anti-Money Laundering Manual for more details regarding the Company’s AML program. The AML manual’s provisions apply to all divisions of Cutter & Company.

# VI. marketing rule

## **A. Regulation**. The Company’s advertising and solicitation practices are regulated by the SEC, which generally prohibits the Company from engaging in fraudulent, deceptive, or manipulative activities. These rules also prohibit the making of any untrue or unsubstantiated material claim or statement of a material fact or any statement that is otherwise false or misleading.

## **B. Definition of Advertising**. Advertising is any direct or indirect communication addressed to more than one person, or to one or more persons if the communication includes hypothetical performance, that offers any investment advisory services regarding securities. Additionally, advertising includes any endorsement or testimonial for which an investment adviser provide compensation, directly or indirectly. This broad definition includes standardized forms, form letters, the Company’s brochures, or any other materials designed to maintain existing clients or to solicit new clients.

An advertisement may not:

1. Include any untrue statement of a material fact, or omit to state a material fact,
2. Include a material statement of fact the advisor does not have a reasonable basis for believing it is able to substantiate,
3. Include information reasonably likely to cause an untrue or misleading implication or inference to be drawn,
4. Discuss potential benefits to clients or investors as it relates to the investment advisor’s services or methods of operation without providing fair and balanced treatment of any material risks or limitations associated with the potential benefits,
5. Reference to specific investment advice, include or exclude performance results provided by the investment advisor where not presented in a fair and balanced manner,
6. Otherwise be materially misleading.

## **Exclusions:**

## Extemporaneous, live oral communications (not including prepared remarks, testemonials or endorsements)

## Information contained in a statutory or regulatory notice, filing or other required communication, provided the information is reasonably designed to satisfy the requirements of such notice, filing or other required communication.

## Communication that includes hypothetical performance provided (1) in response to an unsolicited request from a prospective or current client or investor or (2) to a prospective or current investor in a private fund in a one-on-one communication.

## Additional exclusions include, but are not limited to; account statements, statements about a firm’s culture, philanthropy or community activity, brand content, educational materials and market commentary

## **Prohibited References**

## **1. Use of the Term “Investment Counsel”**. The term “investment counsel” may not be used unless:

## a. the person’s principal business is acting as an investment advisor; and

## b. a substantial portion of their business consists of providing investment supervision.

### **2. Use of the Designation “RIA”**. Neither the Company nor any person associated with the Company may use the designation of “RIA” after their name.

### **3. Other Prohibitions**. It is unlawful for the Company to represent that it has been sponsored, recommended or approved, or that its abilities or qualifications have been passed upon by any federal or state governmental agency.

### **C**. **Testimonials and Endorsements**

### **Testimonial Definition**. Any statement by a current client or investor advised by the investment adviser (i) about the client or investor’s experience with the investment adviser or its supervised persons (ii) that directly or indirectly solicits any current or prospective client or investor to be a client of, or an investor in a private fund advised by the investment adviser or (iii) that refers any current or prospective client or investor to be a client of, or an investor in a private fund advised by the investment adviser.

**Endorsement Definition**. Any statement by a person other than a current client or investor in a private fund advised by the investment adviser that (i) indicates approval, support, or recommendation of the investment adviser or its supervised persons or describes that person’s experience with the investment adviser or its supervised persons; (ii) directly or indirectly solicits any current or prospective client or investor to be a client of, or an investor in a private fund advised by the investment adviser, or (iii) refers any current or prospective client or investor to be a client of, or an investor in a private fund advised by the investment adviser.

Required disclosures:

**Clearly and prominently**:

* + - The testemonial was given by a current client or investor, as applicable; and the endorsement was given by a person other than a current client or investor, as applicable,
    - That cash or non-cash compensation was provided for the testimonial or endorsement, if applicable; and a description of material terms of any compensation arrangement; and
    - A brief statement of any material conflicts of interest on the part of the person giving the testimonial or endorsement resulting from the investment adviser’s relationship with such person.
    - The material terms of any compensation arrangement, including a description of the compensation provided or to be provided, directly or indirectly, to the person for the testimonial or endorsement, and
    - A description of any material conflicts of interest on the part of the person giving the testimonial or endorsement resulting from the investment advisor’s relationship with such person and/or any compensation arrangement.

Examples of an endorsement or testimonial. Examples of activities likely to be an endorsement or testimonial include:

* + - * Websites of lead-generation firms or adviser referral networks (endorsement)
      * A blogger’s website review of an adviser’s advisory service (endorsement or testimonial)
      * A lawyer or other service provider that refers an investor to an adviser, even infrequently, depending on the facts and circumstances (endorsement or testimonial)

A written agreement must be in place with any person giving a testimonial or endorsement that describes the scope of the agreed-upon activities and the terms of compensation for those activities.

Ineligible persons (i.e. a person subject to a disqualifying action or event) may not be compensated, directly or indirectly. Disqualifying events are any of the following events that occurred within ten years prior to the person disseminating an endorsement or testimonial:

1. A conviction by a court of competent jurisdiction within the United States of any felony or misdemeanor involving conduct described in paragraph (2)(A) through (D) of section 203(e) of the Act
2. A conviction by a court of competent jurisdiction within the United States of engaging in any of the conduct specified in paragraphs (1), (5), or (6) of section 203(e) of the Act,
3. The entry of any final order by any entity described in paragraph (9) of section 203(e) of the Act, or by the U.S. Commodity Futures Trading Commission or a self-regulatory organization (as defined in the Form ADV Glossary of Terms), of the type described in paragraph (9) of section 203(e) of the act

Other disqualifying acts apply and including certain disqualifying Commission actions. Due to the complexity of the disqualification prohibitions, consult with the Chief Compliance Officer if you have reason to believe (and it is incumbent on you to do reasonable due diligence on the person providing you with an endorsement) that the endorser might fall within the disqualified person category.

Exemptions:

1. A testimonial or endorsement disseminated for no compensation or *de minimis* compensation\* is not required to have a written agreement describing the scope of the agreed-upon activities

*\*De* minimus compensation means compensation paid to a person for providing a testimonial or endorsement of a total of $1,000 or less (or the equivalent value in non-cash compensation) during the preceding 12 months.

#### **D.** **Third Party Reports**.

#### The Company may use bona fide, unbiased third-party reports, even if the Company has paid the third party to verify its performance. The rating must be provided by a person who is not a related person of the adviser and who provides ratings or rankings in the ordinary course of business. The adviser must have a reasonable basis for believing any questionnaire or survey used in the preparation of the third-party rating is structured to make it equally easy for a participant to provide favorable or unfavorable responses and is not designed or prepared to produce any predetermined result.

* + - * Disclosure – The adviser must clearly and prominently disclose, or reasonably believe that the third-party rating clearly and prominently discloses, (i) the date on which the rating was given and the time period covered, (ii) the identity of the third party that created the rating, and (iii) if applicable, that the adviser has compensated the rating provider, directly or indirectly, in connection with obtaining or using the rating.

## **E. Past Recommendations**

### **1. List of Recommendations**. Advertisements that refer directly or indirectly to past specific recommendations of the Company shall not be used unless the advertisement sets out (or offers to furnish) a list of all recommendations made by the Company within at least the prior one-year period. The list must include the following:

#### a. The name of each security and date the security was recommended;

#### b. Whether the advice was to buy or sell;

#### b. The market price at the time the recommendation was made;

#### c. The price at which the recommendation was to be acted upon; and,

#### d The current market price of the security.

### **2. Disclosure**. The following disclosure must appear (in typeface at least as large as the largest print used in the text) on the first page of the list: ***It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities on this list***

## **D. Review and Approval**. The CCO or her delegate will be responsible for reviewing and approving all advertising material used. The signing and dating of the advertising copy shall evidence such approval. Advisor must have a reasonable basis for believing a testimonial or endorsement complies with the marketing rule requirements.

## **F. Use of Graphs, Charts and Formulas**

### **1. Restriction**. Advertisements must not be written so as to suggest in any way, that any graph, chart, formula, or other device offered can, by itself, guide the investor as to what securities to buy or sell or when to buy or sell them.

### **2. Disclosure**. If the advertisement represents that a graph, chart, formula, or other device can assist with stock selection or timing decisions, then the advertisement must prominently disclose the limitations and difficulties regarding its use.

### **3. Charges**. If a report, analysis, or other service is furnished free of charge, the product or service must be entirely free, and without conditions or obligations.

## **G. Performance Advertising**

### **1. Use of Performance Data**. Although performance data is not required to be disclosed as part of an advertisement, if it is in fact used, the information must be presented accurately and in a fair and balanced way.

### **2. Disclosures.**

#### a. **Model or Actual.** When including either model or actual performance data in an advertisement, the following disclosures shall be made:

##### 1. The effect of material market or economic conditions on the results portrayed;

##### 2. All advisory fees, brokerage commissions or other client paid expenses;

##### 3. The extent that performance was influenced by reinvestment of dividends;

##### 4. All material relevant factors when comparing results to an index;

##### 5. All material conditions, objectives, and investment strategies used to obtain the performance advertised; and,

##### 6. The potential for loss where the potential for profit is also discussed.

#### b. **Model Only**. Where only model performance factors are used, the following additional disclosures shall also be prominently made:

##### 1. All limitations inherent in model results;

##### 2. Where applicable, any material changes in investment strategies or conditions during the period portrayed;

##### 3. Where applicable, that some or all of the strategies reflected in the model results are not currently offered by the Company; and,

##### 4. Where applicable, that the Company’s clients had actual investment results, which were materially different from those shown in the model.

#### c. **Actual Performance Results for Selected Group of Clients**. If the results are only for a selected group of clients, you must provide the basis on which the selection was made and the effect of this practice on the results shown (if material) must be disclosed.

d. **Hypothetical Performance** (including model, back tested, and target/projected performance) may be presented in limited circumstances with prior approval by Compliance. This type of performance requires the advisory firm to have policies and procedures to ensure it is relevant to the likely financial situation and investment objectives of the intended audience and requires additional disclosure of criteria used, assumptions made and risks/limitations of using hypothetical performance to make investment decisions.

### **3. “Net of Fees” Requirement for Performance Advertising**. All advertisements must reflect the deduction of advisory fees, brokerage commissions and other client paid expenses, with the following exceptions:

#### a. Performance results may be calculated without fees paid to a custodian, where the client generally selects and pays the custodian fee.

#### b. Gross performance results may be used, but only if the advertisement also presents net performance with at least equal prominence to the gross performance; and calculated over the same time period, and using the same type of return and methodology

c. Performance results must include 1-, 5-, and 10-year periods (or since inception, as applicable), each

presented with equal prominence as the most recent calendar year-end.

### **4. Record Keeping Requirements for Performance Advertising.**

#### a. **Responsibility**. The CCO is responsible for maintaining all performance advertising records at a readily accessible location and in accordance with applicable laws, rules and regulations.

#### b. **Time**. At a minimum, all performance advertisements and all documents and supporting records included in the performance figures advertised must be maintained for not less than five years from the end of the fiscal year in which the performance advertisement was last published.

## **C. Use of Hedge Clauses**

### **1. Permitted Use**. Advertisements, correspondence, and other literature generated by the Company may contain hedge clauses or legends that pertain to the reliability and accuracy of the information furnished.

### **2**. **Disclosure.** The following disclosure, or similar wording that incorporates the meaning of the following disclosure, must be provided when using hedge clauses: ***“The information contained herein has been obtained from sources believed to be reliable but the accuracy of the information cannot be guaranteed”*** assuming the truth of the representations***.*** It is prohibited to represent to an investor that this relieves the Company or IAR of any liability.

**Performance based advertising is prohibited from any statement, express or implied, that the SEC has approved or reviewed the calculation or presentation of performance results**.

### **VII. Disclosure Requirements**

## **A. Responsibility**. The Company is required to disclose information regarding their business practices to both regulators and members of the public. The CCO is responsible for ensuring that the Company meets all disclosure requirements required by applicable laws, rules and regulations.

## **B. Disciplinary Disclosure**. All material facts must be disclosed which relate to legal or disciplinary events that are material to the client’s evaluation of the Company’s integrity or ability to meet its contractual obligations, including:

### **1. Court Proceedings *(Criminal and Civil)***

#### a. If the Company has been permanently or temporarily enjoined from engaging in investment-related activities or if any member of its senior management or an associated person has been convicted of or has plead guilty or nolo contendere to a felony or misdemeanor involving an investment related statute; fraud; making false statements; omissions; wrongful taking of property; bribery; forgery; counterfeiting; or, extortion; and,

#### **2. Regulatory Proceedings.** If applicable, that the Company or an associated person of the Company caused an investment related business to lose its authorization to conduct business or was found to have violated a statute and was subject to an action denying, suspending, or revoking its ability to do business; or received a fine in excess of $2,500 in a self-regulatory proceeding.

## **C. Compensation**

### **1. Fee Schedule -** All material information regarding fees must be disclosed to the client (i.e. refund provisions, negotiability, etc.). Compensation must be fair and reasonable. It is usually structured in terms of an annual fee representing a percentage of assets under management. Alternatively, commissions, retainer and hourly based fees are allowed when agreed to by the client.

### **2. Solicitor Fees** *Advisors Act Rule 206(4)-3*

#### a. **Review**. The Company may, from time to time, pay referral fees to finders or solicitors for obtaining new advisory clients. The CCO must review all solicitor fee arrangements to ensure that they comply with the requirements set forth herein.

#### b. **Requirements**. Such arrangements must be in the form of a written agreement and the solicitor must not be subject to a statutory disqualification.

#### c. **Disclosure**. The required client disclosure depends on the type of solicitation.

# VIII. Principal And Agency Cross Transactions *Advisors Act Section 206(3)*

1. **Review**

### The CCO will review all transactions with advisory clients that involve either a principal or an agency cross transaction, to ensure that such transactions are in the best interests of the clients and written disclosure to the client of the capacity in which the Company is acting is provided. The CCO or her designated Principal will verify the client’s written consent for each transaction, prior to completion of the transaction, has been obtained.

The Company may obtain written consent after the execution of the transaction but before settlement if the following conditions are met:

### **1.** The Company notifies the client that they may “opt out” of the transaction;

### **2.** The Company discloses the fee/commission that will be charged for the transaction; and,

### **3.** The Company quotes a firm price for the transaction.

## **B. Principal Transactions**

### **1. Definition**. A Principal transaction is one in which the Company engages in the practice of buying securities for the Company’s own inventory from a client or selling securities from the Company’s own inventory to a client.

## **C. Agency Cross Transactions**

### **1. Requirements**. An agency cross transaction occurs when the Company executes a trade with an advisory client on one side of the transaction and a non-advisory client on the other. An agency cross transaction may result in a better price and/or lower transaction costs for the advisory client. Agency cross transactions are permitted if;

#### a. The client has granted prior written authority to the Company to engage in agency cross transactions;

#### b. The Company has disclosed to the client at the time of trade or prior to settlement, in writing, its capacity in the transaction and any conflicts of interest and the transaction is confirmed in writing;

### **2. Confirmations**. *SEC Advises Act Rule 206(3)-2* All agency cross transactions must be consented to by the respective client in writing, at or before the completion of the transaction. Confirmations must include the following information:

#### a. The date of the transaction;

#### b. The source and amount of the Company’s compensation;

#### c. The nature of the transaction; and,

#### d. An offer to supply the time of the transaction, if requested.

# IX. Code Of Ethics – (see Cutter & Company code of Ethics manual for complete version)

## **A. Responsibility**. It is the responsibility of the Company and its supervisory personnel, employees/independent contractors and IAR’s to ensure business is conducted with the highest level of ethical standards and in keeping with its fiduciary duties to its clients.

## **B. Duty to Clients**. The Company has a duty to exercise its authority and responsibility for the benefit of its clients, to place the interests of its clients first, and to refrain from having outside interests that conflict with the interests of its clients. The Company must avoid any circumstances that might adversely affect or appear to affect its duty of complete loyalty to its clients. Anytime a conflict or apparent conflict may exist, disclosure must be made available to the clients in the Company’s Form ADV “Part 2A” and/or “B” Disclosure documents.

## **C. Privacy of Client Financial Information**. The Company will not disclose any nonpublic personal information about a Client to any nonaffiliated third party unless the Client expressly gives permission to the Company to do so or as otherwise required by law or regulation. The Company Privacy Policy allows a departing advisor to retain client records to assist them at their new firm, unless a client opts out of this option. For any other release of non-public information, the client must grant such permission to the Company in writing, or denial of permission, as applicable. A copy of the permission/denial document will be filed in the Company’s Privacy Policy file as well as the client file.

## **D. Prohibited Acts**

### **1**. Employing any device, scheme or artifice to defraud;

### **2**. Making any untrue statement of a material fact;

### **3**. Omitting to state a material fact necessary in order to make a statement, considering the circumstances under which it is made, not misleading;

### **4**. Engaging in any fraudulent or deceitful act, practice or course of business; or,

### **5**. Engaging in any manipulative practices.

## **E. Conflicts of Interest**. The Company has a duty to disclose potential and actual conflicts of interest to their clients. All IAR’s have a duty to report potential and actual conflicts of interest to the Company. Gifts, other than nominal gifts of a reasonable value, should not be accepted from or given to employees of corporate clients of the Company.

## **F. Use of Disclaimers**. The Company shall not attempt to limit liability for willful misconduct or gross negligence using disclaimers.

## **G. Suitability**. The Company shall only recommend those investments that it has a reasonable basis for believing are in the best interest of a client, based upon the client’s particular situation and circumstances. In addition, clients will be instructed to immediately notify the Company of any significant changes in their situation or circumstances so that the Company can respond appropriately.

## **H. Duty to Supervise**. The CCO is responsible for ensuring adequate supervision over the activities of all persons who act on the Company’s behalf and their clients. Specific duties include, but are not limited to:

### **1**. Establishing procedures that could be reasonably expected to prevent and detect violations of the law by its advisory personnel;

### **2**. Analyzing its operations and creating a system of controls to ensure compliance with applicable securities laws;

### **3**. Ensuring that all advisory personnel fully understand the Company’s policies and procedures;

1. Periodic review of client accounts to confirm consistency of investment holdings with investment objectives, inactive/low balance accounts to verify if a fee-based structure continues to be appropriate, and accounts that are exposed to conflicts of interest, such as paying reduced fees for certain assets or asset classes and/or where the financial advisor is subject to paying the client’s transaction fees to verify the existing conflicts have not negatively impacted the client account(s).

### **5**. Establishing an annual review system designed to provide reasonable assurance that the Company’s policies and procedures are effective and are being followed.

## **I. Personal Securities Transactions**. The Company’s procedures governing personal security transactions are summarized in Section 2, 3 & 4 of the Code of Ethics manual.

# X. Trading/Prohibited Transactions

## **A. Prohibitions**. The Company and all persons associated with the Company are prohibited from:

### **1**. employing any device, scheme, or artifice to defraud any client or prospective client;

### **2**. engaging in any transaction, practice or course of business that operates as a fraud or deceit upon any client or prospective client;

### **3**. engaging in any act, practice or course of business that is fraudulent, deceptive or manipulative;

### **4**. directly or indirectly acquiring any beneficial interest in securities of an Initial Public Offering (IPO) or Private Placement, in which the Company is allocated shares, without prior written approval from the CCO (pre-clearance form);

### **5**. knowingly selling or buying any security from an advisory client (on a Principal or Agency Cross Transaction basis) without first disclosing in writing its capacity in the transaction and obtaining the client’s written consent to the transaction;

### **6**. engaging in trading after the market close.

## **B. Trading After the Close**. The Company does not engage in late trading when purchasing or redeeming mutual fund shares. Trading after the close is the practice of placing orders to buy or sell shares of a mutual fund after 4:00 PM Eastern time, the time when most funds calculate their net asset value (NAV), but the investor still receives the current day’s price.

### **1. Procedure**: Each trading ticket, whether purchase or sale, shall be time stamped and the individual placing the transaction shall be identified either by name or associate code. It will be the responsibility of the Company’s CCO or another designated supervisor of the firm, to review mutual fund purchases and sales on a random basis in order to determine if the Company has engaged in such prohibited activity. If there is an appearance of any improper trades the reviewer should immediately report such to the CCO, who will take it upon him/herself to cause further review. If any improper trading has occurred the CCO will take prompt and proper action. Such action may consist of discussing the transaction with the individual that placed the trade, notifying the President of the Company, etc.

## **C. Market Timing**. It is the Company’s policy not to allow market timing when purchasing or redeeming mutual fund shares unless an investment company that specializes in this area is utilized (ie: Rydex, Pro Funds). Market timing is defined by a quantity of transactions – buy and sell – that exceed the number allowed by the terms of the mutual fund or annuity company prospectus.

**D**. **Trading Errors**. As fiduciaries, investment advisors are required to put their client’s interests ahead of their own. In correcting a trading error, the client should not be disadvantaged in any way**.** The affected client, and all other clients, will be put in the same position as they would have been had the error not occurred. Soft dollars may not be used to pay for correcting the advisor’s trading error. The Company and/or its IAR’s must bear any cost associated with correcting a trade error, and not pass any of those costs on to the client.

There is no single solution to every trading error. Resolution must be determined on a case-by-case basis. Two examples are:

If an account is overcharged for the purchase of securities, it may be appropriate to reimburse the account for the amount overcharged, plus adjustments such as interest.

If an account was restricted from holding a particular security, it may be appropriate to repurchase the securities from the account for the same price as the account paid for them, plus adjustments such as interest. If a trading error results in a profit to the client, and the account was restricted from holding such securities, the account cannot profit from this trade, other than adjustments such as interest.

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. For example, 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 fully paid. 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.

## **E. Exclusion of the Company from the Definition of Investment Company**. In order for the Company to meet the definition of an “investment advisor” and not be classified as an “investment company”, the following requirements must be strictly complied with:

### **1.** Each client account must be managed on the basis of that client’s individual financial situation, investment objectives, and instructions;

### **2.** The Company must obtain information from each client that is necessary to manage the client’s account individually and annually contact the client to determine if there have been changes;

### **3.** The designated sponsor (as that term is used in Advisors Act *Rule 204-3*(f)) and the portfolio manager (if applicable) must be reasonably available to consult with clients;

### **4.** Each client must have the ability to impose reasonable restrictions on the management of their account;

### **5.** Each client must be provided with a quarterly statement containing a description of all activity in the client’s account;

### **6.** Each client must retain the indicia of ownership of all securities and funds in the account;

### **7.** The Company must establish and effect written procedures that are reasonably designed to ensure that each of the conditions specified herein are met;

### **8.** If the Company designates a third-party to perform certain obligations under the rule, the Company must obtain from that third-party a written agreement to perform those obligations;

### **9.** The Company must maintain and preserve the policies, procedures, agreements and other documents relating to its investment advisory operations; and,

### **10.** The Company must furnish to the SEC, upon demand, copies of all specified documents.

## **11.** The Company will include a protective legend on cover letters that accompany all fee invoices that it may prepare and forward to clients. This protective legend is designed to remind clients to notify the Company in the event of any changes to their financial position or investment objectives:

## **F. Block Trading**. Block trading (bunching transactions) is permitted where the following conditions are met:

### **1.** Orders of two or more clients may be bunched only if the Company has determined, on an individual basis, that the securities order is:

### **2.** in the best interests of each client participating in the order;

### **3.** consistent with the Company’s duty to obtain best execution; and

### **4.** consistent with the terms of the investment advisory agreement of each participating client.

### **5.** Any investment by one client shall not be dependent or contingent upon the willingness or ability of another client to participate in such transaction.

### **6.** Separate documentation relating to the transaction shall be generated and maintained for each client participating in the bunched trade.

### **7.** The terms negotiated for the bunched transaction should apply equally to each participating client.

### **8.** The allocation of securities purchased or sold in a bunched trade must be made in accordance with the Company’s allocation procedures.

### **9.** The price of the securities purchased or sold in a bunched transaction shall be at the average share price for all transactions of the clients in that security, with all transaction costs shared on a pro rata basis.

### **10**. The books and records of the Company will separately reflect, for each client for whom an order is bunched, the securities held by, purchased and sold for that client.

## **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. Additionally, for IAR’s with multiple representative codes, it is acceptable to allocate shares to the clients within one specific representative code (low account number to highest) and then go to the next client list for the following representative code for allocation (again, beginning with lowest account number to the highest) Using the alternative allocation method may favor or advantage clients with lower account numbers and could disadvantage those in higher account number ranges or the representative number that is not considered primary for the allocation.

### (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.)

### IARs that enter block orders must provide an allocation worksheet on the day of the transaction. The allocation worksheet should separately denote if a partial fill occurred.

### **FINRA Hot Issue Restrictions**. Employees/Independent Contractors and IAR’s of the Company who are also registered representatives of the Company’s broker/dealer are required to comply with FINRA Hot Issue Restrictions (also called “Free Riding” and “Withholding” rules). These restrictions prohibit those individuals from selling shares of a hot issue to affiliates, related persons, or senior officers of financial institutions.

## The hot issue restrictions apply to the Company’s senior officers and associated persons who have a beneficial interest in any client account.

## **H. Best Execution**. It is the duty of the Company to seek best execution on securities transactions. This means that we must seek to execute client trades at the best net price, considering all relevant circumstances. In order to obtain better services (better access, timely execution, expertise, better error record), it may be acceptable to pay up for better execution.

#### The CCO will monitor and evaluate broker-dealer execution performance by periodic review of our executing broker-dealer SEC Rule 11Ac1-6 reports. When a client chooses to use an unaffiliated broker-dealer the firm will not take responsibility for client to receive best execution from such unaffiliated broker-dealer. The CCO will periodically compare the Rule 5 (SEC Rule 11Ac1-5) reports of the market centers that the executing broker-dealer uses with Rule 5 reports of market centers not used by the executing broker-dealer.

Additional analysis may include review of ability to handle trades and answer calls in volatile markets, research for the benefit of the client, willingness, ability, facilities, infrastructure to work with RIA’s, and trading errors and ability to correct (based on historical experience).

As it pertains to best execution related to mutual fund share classes, the Company strives to provide access to the lower priced institutional share classes of most mutual funds where available. The Company, however, does not prohibit the purchase of or transfer in of higher cost share classes (purchased previously) when appropriate disclosure has been provided to the client. There should be very little utilization of fund shares that are not the institutional class, or that carry a 12b-1 fee, particularly where a lower cost share is available.

1. **Soft Dollars.** The Company must make a good faith determination that commissions paid are reasonable in relation to the value of the products and services provided in connection with accounts in which we exercise discretionary authority.

Soft dollars mean products and services – anything other than a trade execution – provided by a broker/dealer in exchange for commissions paid by a client. Soft dollars are a rebate of client commissions to the advisor in the form of goods and services. When advisors use client commission dollars to obtain research they would otherwise have to buy with their own “hard” dollars, advisors receive a benefit and may therefore be considered to have breached their fiduciary duty to spend client assets only for the client’s benefit. Section 28(e) of the Securities Exchange Act of 1934 protects an advisor’s decision to cause a client to pay more than the lowest available commission if the advisor determines in good faith that the commission paid was “reasonable in relation to the value of the brokerage and research services provided.”

Research can be considered in best execution if such research is received within the safe harbor under Section 28(e). The Company may receive research related soft dollars to assist the Company and/or its IAR’s with the performance of our investment decision-making responsibilities. Products or services that do not aid the Company and/or its IAR’s in the investment decision-making process are not within the safe harbor.

The Company will disclose all soft dollar practices in Form ADV, whether within the safe harbor or not. If any soft dollar products or services are received outside the safe harbor, disclosure will describe these products and services so that clients will be aware of any potential conflicts of interest.

**J. Pay to Play – Political Contributions.** Pay-to-play is the practice of making campaign contributions (and related payments) to elected officials in order to influence the awarding of the management of public pension plan assets and similar government investment accounts.

SEC Rule 206(4)-5 (“Pay-to-Play” Rule) is designed to remove conflicts of interest (undue influence) between political contributions and the award of investment advisory business from government and public pension funds. The rule’s two-year time out is triggered by a contribution to an “official” of a “government entity.”

“Government Official” means any person (including their election committee) who at the time of the contribution, is an incumbent, candidate or successful candidate for elective office of a government entity, if the office is directly or indirectly responsible for, or can influence the outcome of, the hiring of an investment advisor by a government entity-or has the authority to appoint a person who is directly or indirectly responsible for, or can influence the outcome of the hiring of an investment advisor by a government entity. This includes a federal candidate who is a state or local official at the time of contribution.

“Government entity” means:

* Any state or local government, agency, authority or instrumentality of a state or local government
* Any pool of assets sponsored by a state or local government (such as a defined benefit pension plan, separate account or general fund)
* Any participant-directed government plan (such as 529, 403(b), or 457 plans)
* Officers, agents, or employees of the state or local government acting in their official capacity

“Covered associate” means:

* Any general partner, managing member or executive officer, or other individual with a similar status or function
* Any employee who solicits a government entity for the investment advisor and any person who supervises, directly or indirectly, such employee
* Any political action committee (PAC) controlled by the investment advisor or by any of its covered associates

The rule and our policy include prohibitions intended to capture not only direct political contributions by investment advisors, but also other ways that advisors may engage in pay-to-play arrangements.

**Restricting Political Contributions (Two Year Time Out):** This policy restricts the Company and its covered associates from providing advisory services for compensation, either directly or through a fund, when a political contribution to an elected government official in a position to influence the selection of our firm has been made within a period of two years prior. This policy applies to political incumbents as well as to candidates for a position that can influence the selection of the Company.

**De minimis provision**: The de minimis provision permits covered associates to make contributions of up to $350 per election per candidate if the contributor is entitled to vote for the candidate, and up to $150 per election per candidate if the contributor is not entitled to vote for the candidate.

**Banning Solicitation of Contributions**: This policy prohibits covered associates from asking another person or political action committee(PAC) to:

1. Make a contribution to an elected official (or candidate for the official’s position) who can influence the selection of our firm.
2. Make a payment to a political party of the state or locality where the Company is seeking to provide advisory services to the government.

**Banning Certain Third-Party Solicitors**: This policy prohibits covered associates from paying a third party, such as a solicitor or placement agent, to solicit a government client on behalf of our firm, unless that third party is a “regulated person” (SEC-registered investment advisor, broker-dealer, registered municipal advisor) subject to similar pay to play restrictions.

**Restricting Indirect Contributions and Solicitations**: This policy prohibits covered associates from engaging in pay to play conduct indirectly, such as by directing or funding contributions through third parties such as spouses, lawyers, or companies affiliated with our firm, if that conduct would violate the rule if our firm did it directly. This provision prevents us from circumventing the rule by directing or funding contributions through third parties.

**State Law**: The federal pay to play rule does not pre-empt state and local laws regarding campaign contributions and pay to play activities. The Company will also abide by state and local laws, which may not provide for de minimis contributions, and other provisions more restrictive than the federal law.

**Recordkeeping**: Records will be maintained by the Company as follows:

* A list of current government clients (if any)
* If the Company has any government entity clients, we will keep records for covered associates of political contributions and payments, including PAC payments.
* The records will be listed in chronological order, identify the contributor and recipient; note the amounts and the dates of each contribution/payment and whether it was returned.
* Covered associates shall submit periodic reports of political contributions and payments.

Records shall be maintained by the Company for a 5-year period.

# XI. Personal Securities Transactions *Advisors Act Rule 204-2*

# The following procedures are designed to assist the CCO in detecting and preventing abusive sales practices such as “scalping” or “front running” and to highlight potentially abusive “soft dollar” or brokerage arrangements.

## **Responsibility**. The CCO shall maintain current and accurate records of all personal securities transactions of its employees/independent contractors, IAR’s and associated persons.

## **Reporting**. Information regarding personal securities transactions of access persons must be reported to the CCO no more than twenty (20) days following the end of each quarter.

## **Exceptions**. Exceptions to the record-keeping requirements are as follows:

## **1**. Transactions effected in any account over which neither the Company nor its IAR’s have any direct or indirect influence or control; and,

## **2**. Transactions that are direct obligations of the United States government, bank certificates of deposit, non-proprietary mutual funds and money market mutual funds.

# XII. Insider Trading

## **A. Supervisory Responsibility**. The CCO shall be responsible for implementing, monitoring and enforcing the Company’s policies and procedures against insider trading.

## **B. Definitions**

## **1. Insider**. The term “insider” is broadly defined. It includes officers, directors and employees of the Company. In addition, a person can be a “temporary insider” if they enter into a special confidential relationship in the conduct of a company’s affairs and, as a result, are given access to information solely for the Company’s purposes. A temporary insider can include, among others, the Company’s attorneys, accountants, consultants, bank lending officers, and the employees of such organizations. In addition, the Company may become a temporary insider of a client it advises or for which it performs other services. If a client expects the Company to keep the disclosed non-public information confidential and the relationship implies such a duty, then the Company will be considered an insider.

### **2. Insider Trading**. The term “insider trading” is not defined in federal securities laws, but generally is used to refer to the effecting of securities transactions while in possession of material, non-public information (regardless of whether one is an “insider”) or to the communication of material, non-public information to others. While the law concerning insider trading is not static, it is generally understood that the law prohibits:

### a. Trading by an insider on the basis of material non-public information;

#### b. Trading by a non-insider (also called a “temporary insider”) on the basis of material non-public information, where the information was either disclosed to the non-insider in violation of an insider’s duty to keep the information confidential or was misappropriated; and,

#### c. Communicating material non-public information to others.

## **C. The Company’s Policy on Insider Trading**. All officers, directors, employees/independent contractors and IAR’s are prohibited from trading either personally or on behalf of others, on material non-public information or communicating material non-public information to others. Covered persons should direct any questions regarding the Company’s policy on insider trading to the CCO.

### **D. Prevention of Insider Trading**. In an effort to prevent insider trading from occurring, the CCO shall familiarize officers, directors, employees/independent contractors and IAR’s with the Company’s Insider Trading policy and answer any questions or inquiries. The CCO will help resolve issues as to whether information received by an officer, director, employee/independent contractor or IAR constitutes material and non-public information. If necessary, a “Watch List” or “Restricted List” will be created to monitor and prevent the occurrence of insider trading in certain securities that the Company is prohibited or restricted from trading.

## **E**. **Detection of Insider Trading.** In order to detect insider trading, the CCO shall, on a periodic basis:

### **1.** review the trading activity reports filed by each officer, director, employee/independent contractor and IAR;

### **2.** review a random sampling of the trading activity of accounts managed by the Company;

### **3.** review trading activity involving the Company’s own account; and,

### **4.** coordinate the review of such reports with other appropriate officers, directors, employees and IAR’s of the Company.

# XIII. Proxy Voting Policies

# A. Proxy Voting Policies

The Company does not vote proxies related to securities held by any client. Where an outside manager has been hired to manage a client’s assets, the proxy voting may or may not be performed by the manager. Please refer to the respective manager’s disclosure brochure for details as to how they manage proxy voting on behalf of clients.

# XIV. Complaints

## **A. Supervisory Responsibility**. The CCO shall be responsible for ensuring that all customer complaints are handled in accordance with all applicable laws, rules and regulations and in keeping with the provisions of this section.

## **B. Definition**. The term “complaint” is generally defined as, “any written statement of a customer (including electronic written statements) or any person acting on behalf of a customer alleging a grievance involving the activities of those persons under the control of the Company in connection with the solicitation or execution of any transaction or the disposition of securities or funds of that customer”.

## **C. Handling of Customer Complaints**

### **1. Representatives and Employees/Independent Contractors**. IAR’s must notify the CCO immediately upon learning of the existence of a customer complaint and provide the CCO with all information and documentation in their possession relating to such complaint. IAR’s are expected to cooperate fully with the Company and with regulatory authorities in the investigation of any customer complaint.

### **2. Review**. The Company takes any and all customer complaints seriously and the CCO shall promptly initiate a review of the factual circumstances surrounding any written complaint that has been received.

### **3. Record Keeping Requirements**. The Company shall maintain a separate file for all written and electronically transmitted customer complaints in its Main Office, to include the following information:

#### a. Identification of each complaint;

#### b. The date each complaint was received;

#### c. Identification of each IAR servicing the account;

#### d. A general description of the matter complained of;

#### e. Copies of all correspondence involving the complaint; and,

#### f. The written report of the action taken with respect to the complaint.

# XV. Correspondence

## **A. Responsibility**. The CCO shall be responsible for ensuring that all incoming and outgoing correspondence is in compliance with applicable laws, rules and regulations governing the activities of the Company. The CCO shall periodically re-evaluate the effectiveness of the Company’s procedures regarding the review of correspondence and make revisions as are necessary.

## **B. Locations Through Which Correspondence May be Sent and Received**. IAR’s must send and receive all correspondence at such locations and through such channels as are designated by the Company. No Company related correspondence of any kind, including electronic correspondence, may be sent or received through the personal e-mail or from the home of an IAR. If physical mail must be sent from a non-business location, a copy must be sent to and approval received from the Company prior to mailing.

## **C. Approval**. Review of correspondence shall be evidenced by (as applicable):

### **1**. initialing and dating the Company’s file copy of written correspondence; or,

### **2**. being maintained and archived at Smarsh, our e-mail vendor. The reviewer’s name and date of review will also be maintained.

## **D. Records**. Copies of all reviewed correspondence shall be maintained at the Main Office for a period of not less than 5 years.

## **E. Cold Calling/Telephone Solicitation**. The Company does not generally permit cold calling. However, IAR’s are able to hire marketing staff that include cold calling in their activities. If such an employee is hired by an IAR, it is the IAR’s responsibility to verify that the employee is contacting only businesses in their cold calling marketing efforts. In the event the IAR wishes to have their employee contact residential prospects, the IAR is responsible for contacting the Company to implement required procedures to verify such calls are made within the allowed parameters of the National Do-Not-Call Registry and that the staff person will abide by any FCC/FTC or other applicable regulatory rule as it relates to their cold calling efforts.