

**Part 2A of Form ADV: *Firm Brochure***

**Canterbury Financial Group**

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This brochure provides information about the qualifications and business practices of Canterbury Investment Management. If you have any questions about the contents of this brochure, please contact us at 317-732-2075 or [thardin@canterburygroup.com](mailto:thardin@canterburygroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Canterbury Investment Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 125680.

## **Item 2    Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 02/22/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	7
Item 6	Performance-Based Fees and Side-By-Side Management	10
Item 7	Types of Clients	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	10
Item 9	Disciplinary Information	11
Item 10	Other Financial Industry Activities and Affiliations	11
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	12
Item 12	Brokerage Practices	14
Item 13	Review of Accounts	18
Item 14	Client Referrals and Other Compensation	18
Item 15	Custody	19
Item 16	Investment Discretion	19
Item 17	Voting Client Securities	19
Item 18	Financial Information	20

## **Item 4     Advisory Business**

Canterbury Financial Group is a SEC-registered investment adviser with its principal place of business located in Indiana. Canterbury Financial Group began conducting business in 2003.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Thomas Lee Hardin , CEO

Canterbury Investment Management offers the following advisory services to our clients:

### **INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides non-continuous asset management of client funds based on the individual needs of the client. Typically, each prospective client participates in a one-on-one educational experience with the portfolio manager. Our Investor Education is a process for learning some of the most important aspects of investing. We teach the basic principles of portfolio and risk management. The Investor Education Process was created to be interactive and leads to a clear understanding of sound investment management principles. During our process, we determine the client's objectives, time horizons, risk tolerance and liquidity needs. The IEP facilitates clear communication and helps the client better understand the investment management process. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

Typically, each client's goals and objectives are discussed during two or more meetings prior to the opening of a new investment management relationship. Portfolios are managed based on our beliefs of what has the highest probability to produce the most efficient portfolio. Each portfolio tends to be a little different. Individual core holdings are generally owned by most of our portfolios. Clients have the opportunity to place reasonable restrictions on the types of investments held in their accounts. All accounts are custodied in a brokerage firm and owned in the name of each client.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Once the client's portfolio has been established, we review the portfolio as needed, and, rebalance the portfolio, based on the market conditions and the client's individual needs. We review and make adjustments to our client's portfolios on an ongoing basis. We initiate communication to the client when we feel important information needs to be discussed or reviewed or when the client requests information or communication.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Certificates of deposit
- Mutual fund shares
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented or recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## **MODEL PORTFOLIO MANAGEMENT**

### **Volatility Managed Portfolios (VMP)**

Our firm provides non-continuous portfolio management services to clients using model asset allocation portfolios. Typically, each model portfolio is designed to meet a particular investment goal. Each prospective client participates in a one-on-one educational experience with the portfolio manager. Our Investor Education is a process for learning some of the most important aspects of investing. We teach the basic principles of portfolio and risk management. The Investor Education Process was created to be interactive and leads to a clear understanding of sound investment management principles. During our process, we determine the client's objectives, time horizons, risk tolerance and liquidity needs. The IEP facilitates clear communication and helps the client better understand the investment management process. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

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review and make adjustments to our client's portfolios on an ongoing basis. We initiate communication to the client when we feel important information needs to be discussed or reviewed or when the client requests information or communication.

Through personal discussions with the client in which the client's goals and objectives are established, we determine if the model portfolio is suitable to the client's circumstances. Clients have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Certificates of deposit
- Mutual fund shares
- United States governmental securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. have the custodian send monthly statements and confirmations to the Model Portfolio Management Services client
2. at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
3. be reasonably available to consult with the client; and
4. maintain client suitability when we complete the Investment Policy Statement.

#### **AMOUNT OF MANAGED ASSETS**

As of 02/22/2011, we were actively managing \$42,500,000 of clients' assets on a discretionary basis plus \$2700000 of clients' assets on a non-discretionary basis.

## Item 5 Fees and Compensation

### PORTFOLIO MANAGEMENT SERVICES FEES

The annualized fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

<b><u>Assets Greater than \$1,000,000</u></b>		<b><u>Assets Less than \$1,000,000</u></b>	
First \$2,000,000	1.0%	First \$500,000	1.5%
Next \$3,000,000	.80%	Next \$500,000	1.25%
Over \$5,000,000	.60%		

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

**Limited Negotiability of Advisory Fees:** Although Canterbury Investment Management has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## MODEL PORTFOLIO MANAGEMENT FEES

The annualized fee for Model Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

<u><b>Assets Greater than \$1,000,000</b></u>		<u><b>Assets Less than \$1,000,000</b></u>	
First \$2,000,000	1.0%	First \$500,000	1.5%
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Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

**Mutual Fund Fees:** All fees paid to Canterbury Investment Management for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or EFTs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an



initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Wrap Fee Programs and Separately Managed Account Fees:*** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Canterbury Investment Management's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***ERISA Accounts:*** Canterbury Investment Management is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Canterbury Investment Management may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Canterbury Investment Management's advisory fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered. As

state-registered advisers are subject to the rules and regulations of their home state (i.e., the state in which the firm maintains its principal place of business) these firms should review home state requirements which may limit prepayment of fees in excess of \$500.

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

Canterbury Investment Management does not charge performance-based fees.

## **Item 7 Types of Clients**

Canterbury Investment Management provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Charitable organizations

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations.

The primary goal of Canterbury's investment process is to avoid large draw-downs during difficult market environments and to participate in advancing markets. Our risk and portfolio management software and systems were created to potentially benefit from the market's fluctuations. Our software helps us manage our portfolio's risk by providing quantified and continuous risk and correlation analysis. We use a disciplined process to actively manage our portfolios during changing market conditions.

We follow the principles of modern portfolio theory, which focuses on creating efficient portfolios that maintain low correlation among securities and the highest return for the lowest risk. We believe the optimal portfolio is diversified and utilizes all necessary management tools, such as:

- ◆ State of the art technology and software.
- ◆ Adjusting asset allocation to attempt to avoid large draw-downs in portfolio assets based on market outlook and volatility
- ◆ Rotating sectors and investment styles
- ◆ Practicing a strong sell discipline
- ◆ Managing volatility through the use of proprietary portfolio management software, risk-management technology, and diversification within and among investment classes
- ◆ Determining the optimum number of individual securities (not too many or too few)
- ◆ When necessary, we take into consideration the client's objectives and tax considerations prior to making investment decisions
- ◆ Make every effort to maintain enough liquidity to meet each client's cash flow needs

We rotate investment styles and sectors as market conditions dictate. We blend individual growth, value, international stocks, and bonds together in one portfolio. We determine asset allocation based on optimal risk volatility calculated by our software and systems. We make adjustments to our portfolio as market conditions change.

### **Item 9    Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Canterbury Investment Management and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Canterbury Investment Management's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [thardin@canterburygroup.com](mailto:thardin@canterburygroup.com), or by calling us at 317-732-2075.

Canterbury Investment Management and individuals associated with our firm are prohibited from engaging in principal transactions.

Canterbury Investment Management and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory

accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.

11. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

For discretionary clients, Canterbury Investment Management requires these clients to provide us with written authority to determine the broker dealer to use and the commission costs that will be charged to these clients for these transactions.

Canterbury Investment Management will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help Canterbury Investment Management in providing investment management services to clients. Canterbury Investment Management may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, Canterbury Investment Management may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to Canterbury Investment Management and, indirectly, to Canterbury Investment Management's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment our own internal research and investment strategy capabilities. This may be done without prior agreement or understanding by the client (and done at our discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. Canterbury Investment Management does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research we receive will help us to fulfill our overall duty to our clients. Canterbury Investment Management may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers we select may be paid commissions for effecting transactions for our clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if Canterbury Investment Management determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or our overall duty to its ("brokerage") discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and Canterbury Investment Management makes a good faith effort to determine the

percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services are paid by our firm to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When Canterbury Investment Management uses client brokerage commissions to obtain research or brokerage services, we receive a benefit to the extent that Canterbury Investment Management does not have to produce such products internally or compensate third-parties with our own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, because we have an incentive to direct client brokerage to those brokers who provide research and services we utilize, even if these brokers do not offer the best price or commission rates for our clients.

Within our last fiscal year, we have obtained the following products and services on a soft-dollar basis: Corporate Informatics LLC, Orion Advisor Services LLC, Northington Trading LLC, Vomund Investment Services, HS Dent, Advent, Spartacus Technical Research Inc., Lowry Research Company, Stock Charts.com, Dorsey, Wright & Associates, Inc.

In determining whether a service or product qualifies as research or brokerage, Canterbury must evaluate whether the service or product provides lawful and appropriate assistance to it in carrying out its investment decision-making responsibilities. Brokerage and research services that may be provided under Section 28(e) include: (1) furnishing advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) furnishing analyses and reports and sponsoring seminars or conferences concerning industries, issuers, securities, economic factors and trends, portfolio strategy, and the performance of accounts; and (3) effecting securities transactions and performing functions incidental thereto (such as clearance, settlement, and custody). Examples of services which Canterbury may pay for with brokerage soft dollars include certain market publications and commentaries, research, market data services, portfolio analysis software and similar 28(e) permitted services.

The receipt of research and technical services in exchange for soft dollars benefits Canterbury clients by allowing Canterbury, at no cost to itself, to receive additional research, data and portfolio/risk management analytics to assist in decision making. This could create a conflict of interest which Canterbury recognizes.

Canterbury uses soft dollars for services which are within the "safe harbor" provision under Section 28(e). The investment manager must determine that the service received provides lawful and appropriate assistance in decision making. Canterbury may choose to use soft dollars for the following: Standardized or custom produced research services, execution or trading strategies or analytics. Standardized or custom programmed portfolio and risk management software. Subscriptions to software vendors providing portfolio or risk management, performance measurement or client reporting. The listed services are in

addition to, and not in lieu of, services required to be performed by Canterbury under its investment management agreements.

However, Canterbury may receive "mixed use" services, or those that can be used for both research and "non-research purposes, "such as for firm administration or marketing. In such cases, Canterbury may have a conflict of interest in allocating the costs of such services between those that primarily benefit Canterbury and those that primarily benefit its clients and determining which portion may be paid for with soft dollars. Canterbury makes a good faith allocation of the relative proportion of the cost of such services used for non-research purposes and pays for such proportion from its own funds.

As a general matter, brokerage and research services are used to service all of Canterbury's discretionary accounts. However, each and every brokerage or research service may not be used for the benefit of each and every account managed by Canterbury, and brokerage commissions paid by one account may be used to pay for brokerage and research services that may not be used to service that account. Canterbury does not usually attempt to allocate the relative costs or benefits or research among client accounts because it believes that, in aggregate, the research it receives benefits clients and assists Canterbury in fulfilling its overall duty to its clients.

Canterbury will not enter into any agreement or understanding with any broker-dealer which would obligate Canterbury to direct a specific amount of brokerage transactions or commissions in return for such services. However, certain broker dealers may state in advance the amount of brokerage commissions they require for certain services and the applicable cash equivalent.

Canterbury Investment Management will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Canterbury Investment Management will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Canterbury Investment Management's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Canterbury Investment Management, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.



3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Canterbury Investment Management to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

4) Prior to entry of an aggregated order, a written order form is completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Canterbury Investment Management's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Canterbury Investment Management's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

Canterbury Investment Management participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisers which include custody of securities, trade execution, clearance and settlement of transactions. Canterbury Investment Management receives some benefits from TD Ameritrade through our participation in the program.

Canterbury Investment Management participates in TD Ameritrade's Institutional customer program and we may recommend TD Ameritrade to our clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): : duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain Institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Canterbury Investment Management by third party vendors.

Some of the products and services made available by TD Ameritrade through the program may benefit Canterbury Investment Management but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by Canterbury Investment Management or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by Canterbury Investment Management or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice OR recommendation of TD Ameritrade for custody and brokerage services.

## **Item 13    Review of Accounts**

### **FINANCIAL PLANNING SERVICES**

Financial planning services offered by Canterbury Investment Management are included in our investment management fee. We initiate communication to the client when we feel important information needs to be discussed or when the client requests information or communication.

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

It is Canterbury Investment Management's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Canterbury Investment Management's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a

non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

### **VOTING CLIENT SECURITIES**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing

each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 Financial Information**

Canterbury Investment Management has no additional no financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Canterbury Investment Management has not been the subject of a bankruptcy petition at any time during the past ten years.