

# Form ADV Part 2A

Last Updated: December 31, 2012



660 Newport Center Drive, Suite 300  
Newport Beach, CA 92660  
Toll Free (800) 888-4551  
Tel (949) 721-9580  
Fax (949) 721-9973  
[www.canterburyconsulting.com](http://www.canterburyconsulting.com)

*This brochure provides information about the qualifications and business practices of Canterbury Consulting Incorporated ("CCI"). If you have any questions about the contents of this brochure, please contact Amy Gratteau at (949) 721-9580 and/or via at [agratteau@canterburyconsulting.com](mailto:agratteau@canterburyconsulting.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 CCI also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Although CCI may use the term "registered investment adviser" or use the term "registered" through this Form ADV Part 2A, the use of these terms is not intended to imply a certain level of skill or training.*

## Item 2. Material Changes since Last Update

---

The U.S. Securities and Exchange Commission (“SEC”) issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

### Material Changes since last update:

- Item 4 Advisory Business. CCI expanded its advisory services to include Outsourced Administrative Services (OAS) and Outsourced Investment Management (OIM).
- Item 4 Advisory Business. CCI updated its amount of assets under advisement as of December 31, 2012.
- Item 5 Fees and Compensation. CCI updated and expanded its Service Platforms and Fees for institutional and private clients.
- Item 12 Brokerage Practices. CCI updated its change in designated custodians to Fidelity’s National Financial Services (NFS) from First Clearing Corp. (FCC).

### Annual Update

The Material Changes section of this brochure will be updated annually and/or when material changes occur since the previous release of CCI’s Brochure. A summary of changes is necessary to inform clients of any substantive changes to CCI’s policies, practices or conflicts of interests so that they can determine whether to review the brochure in its entirety or to contact CCI with questions about the changes.

### Full Brochure Available

Clients who would like to receive a complete copy of our Firm Brochure, please contact us by telephone at (949) 721-9580 or by fax (949) 721-9973, or visit our website at [www.canterburyconsulting.com](http://www.canterburyconsulting.com).

### Item 3. Table of Contents

---

#### Form ADV Part 2A

Item 1. Cover Page.....	01
Item 2. Material Changes since Last Update.....	02
Annual Update.....	02
Full Brochure Available.....	02
Item 3. Table of Contents.....	03
Item 4. Advisory Business.....	05
Principal Owners.....	05
Advisory Services.....	05
Advisory Services.....	05
Outsourced Administrative Services (OAS).....	07
Outsourced Investment Management (OIM).....	08
Assets Under Advisement.....	08
Item 5. Fees and Compensation.....	09
Service Platforms and Fees – Institutional Clients.....	09
Service Platforms and Fees – Private Clients.....	09
Item 6. Performance-Based Fees and Side-By-Side Management.....	10
Item 7. Types of Clients.....	11
Requirement for Opening Accounts (Minimum Investment Amount).....	11
Item 8. Methods of Analysis, Investment Strategies & Risk of Loss.....	11
Methods of Analysis.....	11
Use of Significant Investment Strategy.....	11
Item 9. Disciplinary Information.....	11
Disclosure Events.....	12
Item 10. Other Financial Industry Activities and Affiliations.....	12
Broker/Dealer Affiliation.....	12
Disclosure of Material Conflicts.....	13
Item 11. Code of Ethics, Participation in <i>Client</i> Transactions & Personal Trading.....	13
Code of Ethics.....	13
Participation/Interest in Client Transactions.....	13
Item 12. Brokerage Practices.....	14
Research and Other Soft Dollar Benefits.....	14
Brokerage for Client Referral.....	14
Direct Brokerage.....	14
Item 13. Review of Accounts.....	14
Item 14. Client Referrals and Other Compensation.....	15
Economic Benefit from Non-Clients.....	15
Direct/Indirect Compensation for Client Referrals.....	15
Item 15. Custody.....	15
Item 16. Investment Discretion.....	15
Service Platforms.....	15
Item 17. Voting Client Securities.....	16

Item 18. Financial Information.....	16
Pre-Payment of Fees.....	16
Material Impact of Discretionary Authority.....	16
Custody Disclosure.....	16
Bankruptcy Disclosure.....	16
Privacy Policy.....	16
Privacy Policy Notice.....	16

## **Form ADV Part 2B: Brochure Supplement**

Item 1. Cover Page.....	18
Item 2. Educational Background and Experience.....	19
Minimum Standards.....	19
List of Supervised Persons.....	19
Use of Professional Designations.....	21
Item 3. Disciplinary Information.....	21
Criminal Action.....	21
Administrative Proceeding (SEC/Federal/State).....	21
Administrative Proceeding (SRO).....	22
Civil Action.....	22
Use of BrokerCheck.....	22
Item 4. Other Business Activities.....	22
Item 5. Additional Compensation.....	22
Item 6. Supervision.....	23

## Item 4. Advisory Business

---

Canterbury Consulting Incorporated, ("Canterbury" or "CCI") is a SEC registered investment adviser and independent consulting firm established in 1988 to provide comprehensive investment advice to institutional clients and high net worth individuals. More specifically, CCI provides institutional consulting services, and wealth management consulting services to endowments, foundations, pension and profit sharing plans, individuals and family offices, (collectively referred to as "Clients"). Our team is dedicated to helping clients meet their investment objectives through appropriate asset allocation, optimal investment manager structure, and continual review of managers and total fund performance.

The fee range for each particular service is subject to negotiation and could vary depending upon various circumstances, including the scope of the services to be provided (the minimum fees and fee ranges for existing clients prior to current calendar year may differ from those indicated below).

### Principal Owners

For the purpose of this section, CCI lists its principal owners as any person directly owning 25% or more of CCI as disclosed on Schedule A of Part 1A as of date of the last update filing.

CCI's principal owners are as follows:

D. Robinson Cluck is a direct owner and Chairman of CCI with more than 25% ownership.

Name:	D. Robinson Cluck
Education:	Pepperdine University, Malibu, CA; M.B.A. University of California, Irvine, B.A.
Background:	Canterbury Consulting Incorporated, Chairman (2009-Present) Canterbury Consulting Incorporated, President/CEO (1990-2009) Flint, Krueger, Beimfohr & Cluck, Inc., Managing Director (1988-1990) Kidder, Peabody & Co., Inc., Vice President (1980-1988) Smith, Barney & Co., Inc., Account Executive (1978-1980)

D. Robinson is a primary owner of CCI. Mr. Cluck is a founding director and Chairman of CCI. Mr. Cluck was born in 1956 and graduated from University of California, Irvine, CA with a B.A. and an M.B.A. from Pepperdine University in Malibu, CA. Prior to forming CCI, Mr. Cluck was a founder, principal, and Vice President of the Institutional Consulting Services of Kidder Peabody, Newport Beach. From 1978 to 1979 he was with Smith Barney Harris Upham & Company. Mr. Cluck is a co-author of Asset Management for Endowments & Foundations and currently serves on the investment committee of the University of California Irvine Foundation. He holds a degree in Economics from the University of California at Irvine and an MBA from Pepperdine University. Mr. Cluck is a 34.43% Shareholder of CCI.

CCI is not a publicly held company and no part of CCI is owned by an individual or company through any subsidiaries or "intermediate subsidiaries."

CCI's consulting services include the following:

### Advisory Services

- Portfolio Assessment- Once our consultants have a clear understanding of a client's individual needs, we begin an overall assessment of their current portfolio. We review the existing investment policy and asset allocation to see how well they support the client's objectives. We also conduct an evaluation of all existing investment managers and offer insight into the performance of the current account versus benchmarks and similar peers.

- Strategic Asset Allocation Planning- CCI's approach to asset allocation is strategic rather than tactical. It is designed to achieve our client's goals through long-range planning, not market timing. We will spend a good deal of time and effort at the start of a new client relationship crafting an asset allocation policy that reflects the goals and objectives our clients are trying to achieve. Incorporating a range of styles such as active and passive, growth and value, traditional and alternatives will help to create a strategically balanced portfolio.
- Investment Policy Development- The Investment Policy Statement is the institutional memory for the purpose, objectives, and management guidelines for the fund. As the fund's business plan, it is essential to communicating expectations for investment strategies as well as for investment performance. CCI will assist in preparing a clearly defined Investment Policy Statement to help articulate the Fund's mission, establish meaningful objectives and risk parameters, hold investment managers more accountable by providing clearly defined performance objectives and improve portfolio performance by specifying asset allocation and portfolio rebalancing procedures.
- Spending Policy Analysis- A spending policy is a guideline developed in conjunction with the asset allocation policy for those clients who are striving to maintain the principal of their funds in perpetuity. Adhering to both the asset allocation and the spending guideline should allow an investment pool to be maintained indefinitely. The appropriate policy for an institution is heavily dependent on the foreseeable needs of the institution (inflows and outflows) in conjunction with its asset allocation plan and its long-term capital market return assumptions. The Policy should be unique to the institution's situation; CCI helps each client find the right mix of assets.
- Manager/Fund Search and Evaluation (Traditional Asset Classes)- CCI is active in finding new managers for our clients. Our manager research process is on-going, which results in a great deal of due diligence on each manager that CCI recommends and is independent of a particular manager search assignment.

Once our due diligence is complete, Consultants select from an approved list of managers, those that might fit best given a client's specific asset allocation and risk/return goals. We then provide an evaluation on the firm and key personnel, their investment process, portfolio characteristics, risk-return analysis and management fees. Lastly, we offer our perspective and insight to assist clients in making final hiring decisions.

- Manager/Fund Search and Evaluation (Alternative Assets)- In the search process for traditional equity and bond managers, we want to gain knowledge of an entire universe of available managers. We narrow down that universe by reviewing performance data and executing quantitative screens. We perform qualitative due diligence on this subset to arrive at our approved list of managers. In the alternative assets space, universe data is less complete and information on managers is not uniform rendering a quantitative screen ineffective. Furthermore, because of the illiquid nature of alternative assets, the qualitative due diligence process must be much more rigorous. Our research effort for non-traditional asset classes and strategies is narrower and focuses on individual firms and portfolio manager talent. Successful alternative investing is all about finding individuals with skill and integrity and focus.

CCI has been researching and recommending alternative strategies since 1990. We advise on Private Equity, Venture Capital, Real Estate, Commodities, Distressed Securities, and all types of Hedge Funds. Whether our clients are new to incorporating alternative investment into a portfolio or have a history of using alternative investments, CCI can build customized portfolios to meet our client's needs.

- Risk Management- We define and quantify risk at multiple levels—the portfolio level, the asset class level and the individual manager level—and we allocate assets within the risk parameters that are appropriate for each individual client. Asset allocation modeling takes into account cross-correlations as well volatility measures. Canterbury's research and due diligence process centers around identifying and assessing exposures and risks. Once invested, Canterbury will work with clients on a sustained basis to monitor exposures and risks within the portfolio. And, we will continually evaluate the portfolio against the macroeconomic backdrop for decisions on near term

allocation tilts.

- Quantitative and Qualitative Performance Measurement- CCI independently calculates investment performance from each client's custodial statements. We prepare a customized performance report that is distributed to clients on a quarterly basis. In the report we analyze the total fund's performance versus the policy index and its peers as well as individual manager returns against industry benchmarks and their peers.
- Benchmark Selection. For each client, CCI creates a custom policy index which is reflective of the asset mix the client and consultant have reached together. Sometimes clients have guidelines written into their investment policy that call for the fund to outperform a specific benchmark, i.e. CPI +5% or an actuarial assumption for investments. The benchmarks used are unique to each client and are decided upon only after discussion and agreement by the client, manager and consultant.
- Client Meetings (quarterly and/or as needed)- We meet with our clients as frequently as each client requires. Generally, when we are first engaged, meetings may be monthly while we go through the asset allocation, manager structure, investment policy development and manager search process. Once those decisions have been made and we assist our clients in implementing the decisions, meetings may become less frequent and a regular quarterly meeting schedule is arranged.
- Client Education- CCI seeks to educate committee members on various investment topics in order to broaden their knowledge and help them make informed decisions. On a regular basis, we provide presentations on the nature and viability of various asset classes or strategies, investment trends or economic themes. Our consultants train committees on how to interpret performance returns within the context of the economic environment, and how to understand manager returns via our attribution analysis.
- Custodial Search/Evaluation- CCI offers assistance in reviewing custodial and safekeeping arrangements and/or performing a custodian search. CCI's analysis includes a review of the firm's history and ownership structure as well as general assets under management and fund options. We conduct a detailed comparison study of fees: annual fees, maintenance fees and transaction fees. We also look at their cash management funds for both fees and yields.
- 401(k)/403(b) Bundled Provider Search- CCI offers searches for providers of bundled 401(k)/403(b) services which include plan administration, trustee, fund management, and employee education.

CCI may tailor its advisory services to the specific needs and objectives of each advisory client. Clients may also impose restrictions on investing in certain securities or types of securities. Most of which is generally covered in the client's Investment Policy Statement.

CCI does not participate in a wrap fee program at this time.

### **Outsourced Administrative Services (OAS)**

On the OAS platform, CCI provides its clients all of the aforementioned advisory services *plus* management of back office functions.

- Investment Implementation – CCI will implement the investment decisions made by the client. Most of our institutional clients operate with relatively small staffs. CCI can to provide needed support with money movement, manager transitions or changes in custodians. Our client service team will handle transfer paperwork, new account documents, offering memorandums and other legal papers. CCI will direct custodian banks and managers to complete money movement; we will implement private equity cash flow and manage the cash balance to ensure assets are invested both timely and efficiently.
- Audit Assistance- As endowments, foundations and other non-profit organizations allocate a

greater percentage of their assets to alternative investments, there has been more required focus by management and auditors (due to FASB 157) on appropriate methods for control and valuation. Because CCI works with a number of non-profit organizations, we are able to leverage our experience with different types of clients and various audit firms to provide guidance on establishing internal controls and procedures. We assist by educating clients on the latest regulatory changes, establishing an initial due diligence file, creating a control sheet for ongoing investment monitoring, helping staff determine how they might categorize their investments for valuation purposes and creating a memo for staff to use in their consideration of fair market values. While the practice of evaluating and valuing alternative assets is an evolving one, having the right policies in place at the outset makes managing the audit process considerably less demanding.

If a private, taxable client hires CCI on the OAS platform they will receive the following additional services unique to their needs:

- Tax Planning- CCI offers integrated planning to reduce tax consequences for clients. CCI seeks to minimize income taxes through creation of efficient portfolios (using tax efficient managers, focusing on dividends and long-term capital gains as well as working with managers to systematically harvest tax losses). CCI also seeks to defer and/or reduce taxes by allocating the most tax inefficient strategies to the most tax-favored structures.
- Asset Protection - CCI customizes portfolios for clients in an effort to maximize portfolio performance within an acceptable range of risk. CCI works with clients to reduce risk through the use of intermediate asset holding structures (Trusts, Family LPs or LLCs, S Corporations) and through insurance coverage (property, casualty, liability, life, disability, long-term care, and medical).
- Wealth Strategies- CCI works with private clients to develop a comprehensive wealth strategy that seeks to maintain their wealth into the future. Examples include: Estate, Gift and Generation Skipping Trust Tax minimization, preparing heirs to inherit productively, family business continuity, family business liquidity and strategic philanthropy.
- Financial Administration- CCI assists clients with all aspects of financial administration to include: assistance in the account opening process (gathering partnership documents, subscription agreements, private placement memorandums etc.) portfolio maintenance work, referral services and assistance with managing liabilities.

### **Outsourced Investment Management (OIM)**

On the OIM platform CCI provides its clients all of the aforementioned OAS services *plus* decision making authority on investment managers:

- CCI has discretion on setting the mix of managers as well as the timing and position size of the individual managers. On an ongoing basis CCI will have discretion to actively manage the list of managers by engaging or terminating one or more managers as we deem necessary to fulfill the investment mandate set forth in the client's investment guidelines.
- CCI will make tactical shifts in asset allocation (within the parameters of a client's Investment Policy Statement).
- Clients retain decision-making authority on asset allocation and investment policy (with collaboration and input from CCI)

### **Assets Under Advisement**

As of December 31, 2012, the amount of client assets under advisement is calculated as follows:

Discretionary:	\$766,036,324 (329 Accounts)
Non-discretionary:	\$11,205,723,466 (6,921 Accounts)



CCI's method for computing the amount of "*client* assets you manage" is the same method for computing "assets under management." The amount as disclosed above is rounded to the nearest \$100,000. The date of the calculation above is not more than 90 days before the date CCI last updated its *brochure*.

## Item 5. Fees and Compensation

---

### Service Platforms and Fees – Institutional Clients

- Traditional Advisory Consulting: In this capacity, Canterbury will act as a traditional, independent advisor. We assist clients with asset allocation, investment policy development, manager selection, and portfolio monitoring/performance reporting. However, all decision making clearly rests with the investment committee and all implementation duties (money movement, new account paperwork etc.) rests with the client's staff.

0.20% on the first \$20 million  
0.10% on the next \$80 million  
0.05% thereafter  
\$50,000 minimum annual fee

- Outsourced Administrative Services (OAS): On this platform, Canterbury performs all of the consulting services in the traditional model but goes a step further to manage all of the back office functions. Canterbury implements investment decisions made by the client; we review and complete new manager documents for client signature, we direct custodians and managers to transfer assets, we implement private equity cash flow, manage cash balances and provide audit assistance.

0.35% on the first \$50million  
0.15% on the next \$50 million  
0.05% thereafter  
\$75,000 minimum annual fee

- Outsourced Investment Management Services (OIM): Our third offering is for full discretionary services. This platform includes all of the back office management mentioned above as well as decision making authority on managers. Canterbury has discretion to engage or terminate any of the individual investment managers and we will make tactical shifts in asset allocation (within the parameters of the Investment Policy Statement). The client however, retains decision-making authority on asset allocation and investment policy (with collaboration and input from Canterbury).

0.50% on the first \$50million  
0.20% on the next \$50 million  
0.10% thereafter  
\$75,000 minimum annual fee

### Service Platforms and Fees – Private Clients

- Traditional Advisory Consulting: In this capacity, Canterbury will act as a traditional, independent advisor. We assist clients with asset allocation, investment policy development, manager selection, and portfolio monitoring/performance reporting. However, all decision making clearly rests with the investment committee and all implementation duties (money movement, new account paperwork etc.) rests with the client's staff.

0.40% on the first \$50 million  
0.30% on the next \$50 million  
0.10% thereafter

\$50,000 minimum annual fee

- Outsourced Administrative Services (OAS): On this platform, Canterbury performs all of the consulting services in the traditional model but goes a step further to manage all of the back office functions. Canterbury implements investment decisions made by the client; we review and complete new manager documents for client signature, we direct custodians and managers to transfer assets, we implement wealth strategies, cash flow management, and tax planning.

0.50% on the first \$50 million  
0.40% on the next \$50 million  
0.10% thereafter  
\$75,000 minimum annual fee

- Outsourced Investment Management Services (OIM): Our third offering is for full discretionary services. This platform includes all of the back office management mentioned above as well as decision making authority on managers. Canterbury has discretion to engage or terminate any of the individual investment managers and we will make tactical shifts in asset allocation (within the parameters of the Investment Policy Statement). The client however, retains decision-making authority on asset allocation and investment policy (with collaboration and input from Canterbury).

0.65% on the first \$50 million  
0.55% on the next \$50 million  
0.10% thereafter  
\$75,000 minimum annual fee

Fees charged to clients may be higher or lower than the aforementioned fees depending on the nature of any pre-existing relationship, the complexity of the accounts, or terms and conditions of any outstanding or pre-existing verbal or written agreement to which CCI is a party.

In addition, CCI may enter into an agreement with a client to perform one or more services on a project or one-time basis. In these instances a flat fee is typically negotiated. Fees for projects generally start at \$25,000 but can vary considerably depending on the nature of the services required.

Payment Terms: For clients on a retainer service agreement, fees are due and payable on a quarterly basis in arrears. For Legacy Clients, payment terms for services may be made in the following manner:

- If client elects to have a portion of services paid for by brokerage commissions and/or mutual fund revenues, CCI fees will be calculated on a quarterly basis with credit given for commissions received. If there is an excess of commissions to fees owed, that excess will be used as a credit for up to a one year period, including the quarter in which the commissions or mutual fund revenues were received.
- At the client's preference, the client may instruct investment managers to direct brokerage transactions to CCI for clearing by Fidelity's National Financial Services (NFS), a portion of which commission charges will be credited by CCI toward the consulting fees owed to CCI by the client. The conversion from commission dollars to consulting fees due from the client will generally be on a ratio of 1.7 to 1.0. Generally, the investment manager retained by the client will determine when, under what circumstances, and at what commission levels transactions are to be directed to CCI for execution, consistent with the investment manager's fiduciary responsibility to obtain best execution.
- The client may also direct mutual fund companies to pay CCI service and/or administrative fees. These fees also are credited towards the fees owed by the client to CCI for consulting services provided, generally on a ratio of 1.2 to 1.0.

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

Neither CCI or any of its *supervised persons* accepts *performance-based fees* – that is, fees based on a share of capital gains on or capital appreciation of the assets of a *client* (such as a *client* that is a hedge fund or other pooled investment vehicle). Therefore, there are no conflicts of interest that CCI or its *supervised persons* may face by managing these accounts at the same time, to include any incentive to favor accounts for which CCI or its *supervised persons* receive a *performance-based fee*.

CCI and its supervised persons charge a minimum fee plus a fee based on the amount of assets under advisement as list above. No hourly fees are charged to clients at this time.

## **Item 7. Types of Clients**

---

CCI is a SEC registered investment adviser firm that provides investment and/or non-investment-related consulting services to endowments, foundations, pension and profit sharing plans, individuals and family offices, (collectively referred to as “Clients”).

CCI Consulting was founded on December 8, 1988 to provide institutions and private clients with *independent* investment advice.

The types of clients we serve include:

- Schools and Universities
- Hospitals/Healthcare Organizations
- Community Foundations
- Private Foundations
- Corporations
- Defined Benefit Plans
- Defined Contribution Plans
- Charitable/Non-Profit Organizations
- Cultural Institutions
- Private Clients/Family Offices

We concentrate on serving clients in the Western United States and we have over \$12 billion under advisement. CCI is a 100% employee-owned firm; we do not have a parent company, subsidiary or affiliate firm and we have never gone through a merger or acquisition. We serve our clients from two West Coast offices, our headquarters in Newport Beach, California and a second service office in Seattle, Washington.

### **Requirement for Opening Accounts (Minimum Investment Amount)**

CCI does not impose minimum account size requirements; however, we do have minimum annual fee requirements. Those minimums are dependent on the client type and service platform and are outlined in the Fees and Compensation section above.

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

---

### **Methods of Analysis**

CCI's analysis methods may include fundamental analysis of macroeconomic and market factors, technical analysis, and the use of cyclical analysis and monitoring of investment cycles and trends.

As with most investment products, because investment portfolios include securities, investing in securities involves risk of loss that you as our client should be prepared to bear.

### **Use of Significant Investment Strategy**

CCI does not employ a frequent trading strategy nor does it recommend any particular type of security as part of its overall consulting services.

## Item 9. Disciplinary Information

---

### Disclosure Events

There are no disclosure events involving a criminal action in a domestic, foreign or military court of competent jurisdiction in which CCI or its management personnel are involved.

There are no disclosure events involving an administrative *proceeding* before the SEC, any other federal regulatory agency, any state regulatory agency, or any *foreign financial regulatory authority* in which CCI or its management personnel are involved.

There are no disclosure events involving A *self-regulatory organization (SRO) proceeding* in which CCI or its management personnel are involved.

CCI provides the following disclosure events involving a civil action in a domestic, foreign or military court of competent jurisdiction in which CCI or its management personnel are involved:

In 2002, CCI was named in a lawsuit initiated by a client that alleged a violation of fiduciary duty among other allegations. The lawsuit originated as a result of the client telling CCI that they wanted certain managers terminated with proceeds wired to a named trust account. The client claimed that CCI did not affect those instructions in a timely manner and therefore the client alleged certain losses to their account. In fact, CCI did not (and generally does not) hold the assets nor did it have the authority to hire, terminate, or move money. CCI does assist in transitions by explaining to clients how to instruct their managers. In this instance, CCI drafted an instruction letter for the client to give to their managers. It happened that circumstances worked against our client. The trustee's staff was not vigilant in getting the drafted instruction letters signed and faxed to managers appropriately; over the course of the three days it took to get all accounts liquidated, the market continued to go down (July, 2002).

CCI, at the time, did not have a mediation clause in our Agreement, and therefore the client made the claim through the courts. The case was settled through arbitration by our insurance company on our behalf for an amount that equaled the cost of our client's attorney's fees. There have not been any censures or reprimands.

## Item 10. Other Financial Industry Activities and Affiliations

---

### Broker/Dealer Affiliation

CCI is a dually registered firm as a federally covered investment adviser registered with the Securities and Exchange Commission ("SEC") and as a securities broker/dealer with the Financial Industry Regulatory Authority ("FINRA"). In CCI's dual capacity as an SEC registered investment adviser and FINRA member broker/dealer, the client may choose to engage CCI to implement investment recommendations on either a commission or fee basis. In the event the client chooses to purchase investment products through CCI's Principals and/or Associated Persons, in their individual capacities as registered representatives, brokerage commissions will be charged by CCI to effect securities transactions, a portion of which commissions shall be paid by CCI to CCI's Principals and/or Associated Persons, as applicable. The brokerage commissions charged by CCI may be higher or lower than those charged by other broker-dealers. In addition, CCI, as well as CCI's Principals and/or Associated Persons (as applicable), relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

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

## Disclosure of Material Conflicts

CCI maintains certain relationships and/or arrangements that are material to its advisory business or to its *clients* that CCI or any of its *management persons* may have with any *related person*. For example, *J.D. Montgomery* is also a licensed insurance agent, and in such capacity, may recommend, on a fully disclosed basis, the purchase of certain insurance-related products which may present a potential conflict of interest between CCI's interests and those of its advisory clients. However, clients are under no obligation to purchase products CCI or its management persons may recommend, or to purchase products or services through CCI or Mr. Montgomery.

Moreover, certain management persons of CCI may be limited partners in certain investment related limited partnerships. Therefore, a potential conflict may exist in that limited partners receive certain economic benefit from investments made in corresponding limited partnerships.

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

---

### Code of Ethics

CCI has adopted the following Code of Ethics in accordance with SEC rule 204A-1 or similar state rules:

- **Fiduciary Responsibility-** CCI and its staff shall exercise the highest standard of care in protecting and promoting the interests of its clients, and will provide a written disclosure containing any conflicts of interest that may compromise their impartiality or independence. As fiduciary, CCI shall not accept any referral fees or compensation that is contingent upon the purchase or sale of any financial product.
- **Integrity-** All professional services shall be rendered with the highest level of integrity.
- **Objectivity-** CCI and its staff shall provide advice that is objective and in the best interest of the client and without conflicts of interest.
- **Competence-** CCI and its staff shall maintain the necessary knowledge and skills to provide our clients with competent advice and services.
- **Fairness-** All professional services shall be performed by CCI and its staff in a manner that is fair and reasonable to its clients.
- **Confidentiality-** CCI and its staff shall maintain and safeguard all confidential client information in accordance with applicable laws.
- **Diligence-** CCI and its staff shall ensure the accuracy and completeness of records, information, and data collected, used and managed, and will take necessary steps to correct any discrepancies.
- **Regulatory Compliance-** CCI and its staff shall comply fully with appropriate laws and internal regulations.

CCI will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

### Participation/Interest in Client Transactions

Neither CCI nor any of its related persons recommend to clients, or buys or sells for client accounts, securities in which CCI or a related person has a material financial interest including but not limited to incidents where CCI or a related person, as principal, buys securities from (or sells securities to) CCI clients; CCI or a related person acts as general partner in a partnership in which CCI solicit client

investments; or CCI or a related person acts as an investment adviser to an investment company that CCI recommends to client.

Neither CCI nor any of its related persons invest in the same securities (or related securities, e.g., warrants, options or futures) that CCI or any of its related persons recommend to clients,

Neither CCI nor any of its related persons recommend securities to clients, or buys or sells securities for client accounts, at or about the same time that CCI or any of its related persons buy or sell the same securities for CCI's own (or the related person's own) account,

## **Item 12. Brokerage Practices**

---

Since the firm's inception, CCI has been dually registered with the SEC as an Investment Advisor and a Broker-Dealer. The BD has been used primarily for the purpose of allowing smaller clients the ability to custody their assets and also to allow some clients the option of offsetting a portion of their consulting fees through directed brokerage.

CCI has a full disclosure policy so clients can always see how much commission vs. consulting fees have been paid. Each quarter commission charges and credits are disclosed on the client's billing statement.

### **Research and Other Soft Dollar Benefits**

CCI does not receive any research, products, services or soft dollar benefits from investment managers or other third parties.

### **Brokerage for Client Referrals**

In selecting or recommending broker-dealers, CCI does not consider whether the firm or a *related person* receives *client* referrals from a broker-dealer or third party.

### **Directed Brokerage**

CCI does not routinely recommend, request or require that *clients* direct CCI to execute transactions through a specified broker-dealer.

However, at the client's preference, the client may instruct investment managers to direct brokerage transactions to CCI for clearing by National Financial Services (NFS), a portion of which commission charges will be credited by CCI toward the consulting fees owed to CCI by the client. The conversion from commission dollars to hard dollar consulting fees due from the client will be on a ratio of 1.7 to 1.0. In certain situations, the commissions received by CCI shall exceed the fees owed by the client. Generally, the investment manager retained by the client will determine when, under what circumstances, and at what commission levels transactions are to be directed to CCI for execution, consistent with the investment manager's fiduciary responsibility to obtain best execution.

CCI may permit a *client* to direct brokerage. If applicable, CCI may be unable to achieve most favorable execution of *client* transactions. It is important to note that directed brokerage arrangements may cost *clients* more money. For example, in a directed brokerage account, the *client* may pay higher brokerage commissions because CCI may not be able to aggregate orders to reduce transaction costs, or the *client* may receive less favorable prices.

## **Item 13. Review of Accounts**

---

Accounts are reviewed on an ongoing basis. Overall investment management, market prospects and individual issue prospects are considered in the review process. Triggering factors that may affect an

account review could be any material change in a client's account. All account reviews are conducted by the investment adviser professional responsible for each account. More specifically, retail accounts are reviewed by Kenneth Krueger as the investment adviser professional responsible for such accounts and such clients will receive trade confirms/monthly statements from CCI's designated clearing firm, National Financial Services (NFS). Consulting accounts are reviewed by one or more of the designated consultants assigned to each account. All clients are encouraged to conduct an annual review of their financial objectives, account performance as well other relevant factors.

The nature and frequency of reports are determined by client need and the services offered. Retail clients will receive trade confirms/monthly statements from CCI's designated clearing firm, National Financial Services (NFS). Consulting clients receive comprehensive quarterly performance reports as produced by CCI. However, most of the clients are provided with transaction confirmation notices and regular summary account statements sent directly from the designated broker-dealer/custodian for each client account. Clients receiving investment advisory services will receive quarterly reports summarizing their overall account activity and investment performance.

---

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

---

### **Economic Benefit from Non-Clients**

None of the supervised persons listed above as part of this Brochure Supplement receive any "economic benefit" as that term is defined (e.g. *sales awards and other prizes*) from a non-client for providing advisory services.

### **Direct/Indirect Compensation for Client Referrals**

Neither CCI nor any of its related persons directly or indirectly compensate any person who is not its associated person for client referrals.

---

## **Item 15. Custody**

---

CCI does not maintain custody of client funds and/or securities. Therefore, clients will receive their monthly and/or quarterly account statements directly from the designated broker/dealer, bank or other qualified custodian of record and therefore should carefully review those statements for accuracy. In the event that clients also receive reports from CCI, it strongly encourages each client to compare the account statements they receive from the qualified custodian with those reports received by CCI.

---

## **Item 16. Investment Discretion**

---

Certain organizations feel that they lack the investment experience at the trustee level, lack the time or desire to really understand their investments or lack the dedicated staff to assist in the decision-making or implementation process for their investments. If one couples those issues with a much tougher regulatory environment, stricter auditing rules and increased fiduciary responsibility, the option of outsourcing investment management decisions is worth considering for many institutions.

CCI offers an outsourcing platform to address these very concerns. Our investment process is the same for both our advisory and discretionary platforms in that CCI consultants take the time to understand each client's unique goals, risk tolerances, spending needs and investment experience. We then design a custom asset allocation plan, draft an investment policy and construct the portfolio with a lineup of managers most likely to reach those goals. The primary difference between the two platforms is that discretionary clients benefit from CCI making timely decisions rather than making the recommendations. CCI assumes the responsibility of hiring and firing managers. CCI assumes the responsibility of transitioning assets and completing new

account paperwork. And, CCI assumes the responsibility of knowing each manager and how they value their assets.

For each discretion client, CCI designs a custom portfolio with the appropriate selection and mix of managers to meet the return and risk objectives of each client. We also carefully customize the manager mix and portfolio construction to meet the client's specific liquidity and investment restriction requirements.

Please refer to Item 4 Advisory Services above for a more detailed description of CCI's service platforms.

## **Item 17. Voting Client Securities**

---

CCI does not have the authority to vote client proxies and therefore is not required to take action or render advice with respect to voting of proxies solicited by or with respect to the issuers of securities in which assets of the clients account(s) may be invested from time to time. *Clients* will receive their proxies or other solicitations directly from their custodian or a transfer agent. Clients may contact CCI directly at (949) 721-9580 if they have any questions regarding a particular solicitation.

## **Item 18. Financial Information**

---

### **Pre-Payment of Fees**

CCI does not require or solicit prepayment of fees, six months or more in advance.

### **Material Impact of Discretionary Authority**

CCI may exercise discretionary authority over certain client funds or securities. However, CCI does not anticipate any financial condition that may be reasonably likely to impair its ability to meet contractual commitments to clients at this time.

### **Custody Disclosure**

CCI does not have custody of client funds or securities. Please see Custody section above for further details.

### **Bankruptcy Disclosure**

CCI has never been the subject of a bankruptcy petition.

## **Privacy Policy**

---

### **Privacy Policy Notice**

Your privacy is important to us. Your personal information is kept secure. Under federal and state law, you have a right to know what information is being collected about you and how that information will be used. CCI collects nonpublic personal information about you from the following sources:

- Information CCI receives from you on applications or other forms.
- Information about your transactions with CCI; and
- Information that you specifically have had your other professional advisors forward to CCI.

CCI does not disclose any nonpublic personal information about our customers or former customers to anyone, except as permitted or required by law, or as directed by you.



- Under law, the information CCI collects is provided to companies that perform support services on our behalf as necessary to effect, administer, or process a transaction, or for maintaining and servicing your account;
- As directed by you, CCI will be working with your other professional advisors and CCI will provide information in our possession that is reasonably requested by the other advisors.

CCI does not give or sell information about you or your accounts to any other company, individual or group. CCI restricts access to nonpublic personal information about you to those employees who need to know that information to provide services to you. CCI maintains physical, administrative, and technical procedural safeguards to protect your nonpublic personal information. You do not need to call or do anything as a result of this notice. It is meant to inform you of how we safeguard your nonpublic personal information.

# Form ADV Part 2B: Brochure Supplement

Last Updated: December 31, 2012

## Supervised Persons:

Adele H. Berwanger  
Debashis Chowdhury, CFA  
D. Robinson Cluck  
Benjamin Francois  
Kenneth P. Krueger  
Michael S. Laven, CFA  
Jason E. Levey, CAIA  
Jerry D. Montgomery, CAIA  
Poorvi Parekh  
Sean Touhey, CAIA  
Leonard A. Yerkes, III  
Nolan C Wood, CFA  
Geir A. Watland, CFA, CAIA



660 Newport Center Drive, Suite 300  
Newport Beach, CA 92660  
Toll Free (800) 888-4551  
Tel (949) 721-9580  
Fax (949) 721-9973  
[www.canterburyconsulting.com](http://www.canterburyconsulting.com)

*This brochure provides information about the qualifications and business practices of Canterbury Consulting Incorporated. If you have any questions about the contents of this brochure, please contact us at (949) 721-9580 and/or via [agratteau@canterburyconsulting.com](mailto:agratteau@canterburyconsulting.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.*

*This brochure supplement provides information about the Supervised Persons listed above that supplement the CCI's brochure. You should have received a copy of that brochure. Please contact Amy Gratteau at (949) 721-9580 and/or via email at [agratteau@canterburyconsulting.com](mailto:agratteau@canterburyconsulting.com) if you did not receive CCI's brochure or if you have any questions about the contents of this supplement.*

*Additional information about CCI also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or its own website at [www.canterburyconsulting.com](http://www.canterburyconsulting.com).*

## Item 2. Educational Background and Experience

---

### Minimum Standards

CCI requires certain licensing standards as well as a certain level of business experience for giving investment advice to clients. For example, all advisors must be professionals with relevant industry experience in order to adequately demonstrate a certain level of expertise in securities management and analysis. CCI requires that all investment adviser representatives maintain the minimum licensing qualifications in accordance with all federal, state, and self-regulatory organization (SRO) rules and regulations.

### List of Supervised Persons

Name: Adele H. Berwanger  
Birth Date: 1940  
Education: University of California, Berkeley, B.A.  
University of Southern California, M.B.A.  
Background: Canterbury Consulting Incorporated, Managing Director (1991-Present)  
Wurts Johnson & Co., Vice President (1990-1991)  
Funds Decisions Services, Owner (1987-1990)  
Crocker National Bank, Need; Business Trust Services Div.; First Vice President & Manager (1979-1986)

Name: Debashis Chowdhury, CFA  
Birth Date: 1976  
Education: University of Minnesota, B.S.  
Background: Canterbury Consulting Incorporated, Managing Director (2002-Present)  
American Express Financial Advisors (1998-2001)  
Designations: Chartered Financial Analyst (CFA) (2007)

Name: D. Robinson Cluck  
Birth Date: 1956  
Education: Pepperdine University, Malibu, CA; M.B.A.  
University of California, Irvine, B.A.  
Background: Canterbury Consulting Incorporated, Chairman (2009-Present)  
Canterbury Consulting Incorporated, President/CEO (1990-2009)  
Flint, Krueger, Beimfohr & Cluck, Inc., Managing Director (1988-1990)  
Kidder, Peabody & Co., Inc., Vice President (1980-1988)  
Smith, Barney & Co., Inc., Account Executive (1978-1980)

Name: Benjamin Francois  
Birth Date: 1975  
Education: The Wharton School, University of Pennsylvania, M.B.A. (2011)  
University of Southern California, B.A. (1997)  
Background: Canterbury Consulting Incorporated, Vice President (2011-Present)  
Bunker Hill Capital, Private Equity Associate (2008-2009)  
SFP Family Office, Investment Professional (2001-2008)  
Lehman Brothers, Investment Representative (2000-2001)

Name: Kenneth P. Krueger  
Birth Date: 1943  
Education: University of Wisconsin, BBA  
Background: Canterbury Consulting Incorporated, Managing Director (1992-Present)  
Canterbury Consulting Incorporated, Treasurer/CFO (1990- 1991)  
Flint, Krueger, Beimfohr & Cluck, Inc., Treasurer (1988-1990)  
Kidder, Peabody & Co., Inc., Vice President (1981-1988)

Name: Michael S. Laven, CFA  
Birth Date: 1962  
Education: Princeton University, B.A.  
Background: Canterbury Consulting Incorporated, Managing Director (1995- Present)  
Cigna Corp., Assistant Vice President (1986-1995)  
Designations: Chartered Financial Analyst (CFA) (2002)

Name: Jason E. Levey, CAIA  
Birth Date: 1982  
Education: California State University Fullerton, Finance (2004)  
Background: Canterbury Consulting, Vice President (2005 – Present)  
Morgan Stanley, Financial Advisor (2004-2005)  
Designations: Chartered Alternative Investment Analyst (CAIA) (2007)

Name: Jerry Dale Montgomery, CAIA  
Birth Date: 1966  
Education: Stanford University, B.A.  
Background: Canterbury Consulting Incorporated; Managing Director (1999-Present)  
E-Compass Financial & Insurance Resources; President (1998-2002)  
J.D. Montgomery, Sole Proprietor (1998-1998)  
KFM Financial & Insurance Services, Corp., Associate (1992-1997)  
IDS Financial & Insurance Services, Corp., Financial Planner (1988-1992)  
Canterbury Consulting Incorporated, Registered Representative (1992-Pres.)  
Mutual Service Corporation, Registered Representative (1992-2001)  
Designations: Chartered Alternative Investment Analyst (CAIA) (2008)

Name: Poorvi Parekh  
Birth Date: 1963  
Education: Shenandoah University, M.B.A.  
University of Hong Kong, B.A. in Economics  
Background: Canterbury Consulting Incorporated, President & CEO (2009-Present)  
Canterbury Consulting Incorporated, Director of Manager Research (2001-2009)

Name: Sean Touhey, CAIA  
Birth Date: 1978  
Education: Eastern Michigan University, B.B.A.  
Background: Canterbury Consulting Incorporated, Vice President (2006-present)  
Mercer Investment Consulting, Analyst (2004-2006)  
The Rockwater Group, Analyst (2003-2004)  
Designations: Chartered Alternative Investment Analyst (CAIA) 2008

Name: Leonard A. Yerkes, III  
Birth Date: 1936  
Education: University of Rhode Island, M.B.A.  
Princeton University, A.B. International Politics  
Background: Canterbury Consulting Incorporated, Managing Director (1999- Present)  
The TCW Group, Inc., Account Representative (1992-1999)  
Hakman & Co, Inc., Partner (1991-1992)

Name: Nolan C Wood, CFA  
Birth Date: 1975  
Education: University of New Mexico, Economics (1997)  
Background: Canterbury Consulting, Vice President (2005 – Present)  
Nicholas Applegate, Investment Officer (2000-2005)  
Janus Distributors, Inc., Investor Service Representative (1998-1999)

Designations: Chartered Financial Analyst (CFA) (2011)

Name: Geir A. Watland, CFA, CAIA

Birth Date: 1965

Education: University of Washington, B.B.A & B.A. Economics

Background: Canterbury Consulting Incorporated, Vice President (2011-present)

Independent Consultant (2009-2011)

Bank of America, Director/Product Specialist for Alternative Investments (2008-2009)

Merrill Lynch Investment Managers, Vice President (2000-2007)

Designations: Chartered Financial Analyst (CFA) 2002

Chartered Alternative Investment Analyst (CAIA) 2005

### Use of Professional Designations

**Chartered Financial Analyst (CFA).** The Chartered Financial Analyst (CFA) designation is a mark of distinction that is globally recognized by employers, investment professionals, and investors.

Since it was first introduced in 1963, the Chartered Financial Analyst® designation, or CFA charter, has become one of the most respected and recognized investment credential in the world. To earn the CFA charter one must have four years of qualified investment work experience; become a member of CFA Institute (the global association of investment professionals that administers the CFA charter), pledge to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct on an annual basis; apply for membership to a local CFA member society; and complete the CFA Program.

The CFA Program is a globally recognized, graduate level curriculum that provides a strong foundation of the real-world investment analysis and portfolio management skills and practical knowledge needed in today's investment industry. It also emphasizes the highest ethical and professional standards. The Program is organized into three levels, each culminating in a six-hour exam. CFA Program candidates report dedicating in excess of 300 hours of study per level. Completing the entire Program is a significant challenge that takes most candidates between two and five years. For more information please visit [www.cfainstitute.org](http://www.cfainstitute.org).

**Chartered Alternative Investment Analyst (CAIA).** The CAIA designation is the standard for professionals within this specialist area of investments, demonstrating an individual's abilities within and understanding of alternative investment vehicles. The Chartered Alternative Investment Analyst program provides a broad-based curriculum in alternative investments. The program covers the main areas of hedge funds, private equity, commodities, real estate and managed futures. The CAIA program is organized into two levels, with Level I using investment analytics to examine the fundamentals of each alternative asset class. Level II applies these analytics within an asset allocation and decision-making framework. Both incorporate segments on ethics and professional conduct - essential components of the CAIA program. For more information please visit [www.aima.org](http://www.aima.org).

### Item 3. Disciplinary Information

---

#### Criminal Action

There are no disclosure events involving a criminal action in a domestic, foreign or military court of competent jurisdiction in which CCI or its personnel are involved.

#### Administrative Proceeding (SEC/Federal/State)

There are no disclosure events involving an administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which CCI or its personnel are involved.

#### **Administrative Proceeding (SRO)**

There are no disclosure events involving A self-regulatory organization (SRO) proceeding in which CCI or its personnel are involved.

#### **Civil Action**

CCI constantly strives to meet its obligations of providing advisory clients with convenient access to information necessary to assess the individuals they are relying on for investment advice while also reducing duplication of disclosure requirements. As such, both Adele H. Berwanger and Debashis Chowdhury have a disciplinary event as previously disclosed in Item 9 of Form ADV Part 2A and on each individual Form U4. For clients who receive this supplement electronically, and who wish to obtain more detailed information about disclosure events involving any supervised person under the firm may access the Financial Industry Regulatory Authority's (FINRA) BrokerCheck system ([www.finra.org/brokercheck](http://www.finra.org/brokercheck)) as well as the Investment Adviser Public Disclosure (IAPD) system ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)).

#### **Use of BrokerCheck**

If this supplement is delivered electronically, and any supervised person under CCI has a disciplinary history, the details of any disclosure may be found on either the Financial Industry Regulatory Authority's (FINRA) BrokerCheck system ([www.finra.org/brokercheck](http://www.finra.org/brokercheck)) or the IAPD ([www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)).

There is no other proceeding in which a professional attainment, designation, or license of any of the supervised persons as part of this Brochure Supplement was revoked or suspended because of a violation of rules relating to professional conduct, nor were there any incidents where any of the supervised persons as part of this Brochure Supplement resigned (or otherwise relinquished his attainment, designation, or license) in anticipation of such a proceeding.

### **Item 4. Other Business Activities**

---

CCI is a dually registered firm as a federally covered investment adviser registered with the Securities and Exchange Commission ("SEC") and as a securities broker/dealer with the Financial Industry Regulatory Authority ("FINRA"). In CCI's dual capacity as an SEC registered investment adviser and FINRA member broker/dealer, the client may choose to engage CCI to implement investment recommendations on either a commission or fee basis. In the event the client chooses to purchase investment products through CCI's Principals and/or Associated Persons, in their individual capacities as registered representatives, brokerage commissions will be charged by CCI to effect securities transactions, a portion of which commissions shall be paid by CCI to CCI's Principals and/or Associated Persons, as applicable. The brokerage commissions charged by CCI may be higher or lower than those charged by other broker-dealers. In addition, CCI, as well as CCI's Principals and/or Associated Persons (as applicable), relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.

None of CCI's supervised person(s) listed above are registered, or have an application pending to register, as a, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated person of an FCM, CPO, or CTA.

### **Item 5. Additional Compensation**

---

#### **Other Related Investment Business**

None of the supervised persons listed above as part of this Brochure Supplement receive any economic benefit (e.g. sales awards or other prizes) as that term is defined, for providing advisory services.

## **Item 6. Supervision**

---

Mark Mittmann is the designated supervisor and Chief Compliance Officer (CCO) for CCI responsible for providing supervisory oversight regarding CCI's advisory business. Mr. Mittmann's contact information is (949) 721-9580. All supervision is performed on a regular and continuous basis where all transactional activity is reviewed and approved by Mr. Mittmann as well as a review of ongoing management of investment advice.