



## **ADV Part 2A - Firm Brochure**

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Cantella & Co., Inc ("Cantella") is a nationally registered broker/dealer and SEC Registered RIA located in the Financial District in Boston. We are service professionals helping financial professionals provide for client financial needs which may include financial planning, retirement planning, children's education planning, investment management, and managing taxes efficiently. Our experienced financial advisors utilize a vast array of wealth management tools to help individuals, families, and business owners develop investment portfolios and strategies to meet their financial goals and objectives.

This brochure provides information about the qualifications and business practices of Cantella. If you have any questions about the contents of this brochure, please contact Cantella at (800) 333-3502 or by email via [compliance@cantella.com](mailto:compliance@cantella.com).

The information in this brochure has not been approved or verified by the United States Securities Exchange Commission or by any state securities authority.

Being registered does not imply a certain level of skill or training.

Additional information about Cantella also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



### **Summary of Material Changes to Form ADV Part 2A – Firm Brochure**

The firm brochure provides information about the qualifications and business practices of Cantella and Col, Inc ("Cantella"). If you would like a copy of the most recent Form ADV Part 2A – Firm Brochure you can retrieve it from the firm's website at [www.Cantella.com](http://www.Cantella.com). The document is located at the bottom of the home page under Disclosure Information and titled Form ADV Part II. You may also email Cantella compliance using the email address [compliance@cantella.com](mailto:compliance@cantella.com) and request a copy be emailed or sent via hard copy to your address of record. A copy of the brochure may also be requested by calling client services at 800-652-8358.

Material changes since the firm's last filing of Form ADV Part 2A are provided below:

1. Item 4: Advisory Business: Cantella has begun offering to clients the Cantella Classic Gold Tactical Program. This is an account where Investment Advisor Representative's ("IARs") may recommend to suitable clients a tactical investment strategy that is managed by Cantella.
2. Item 5: Fees and Compensation: As a result of the change in Item 4 Cantella is disclosing the fees associated with the Classic Gold Tactical Program.
3. Item 11: Code of Ethics, Participation or Interest in Client Transaction and Personal Trading. As a result of the change in Item 4 Cantella is disclosing the possible conflict of interest and how it will monitor the conflict as a result of offering the Classic Gold Tactical Program. Christopher Mortara is now the firm's Chief Compliance Officer.

## **Item 2: Material Changes**

The last update to this brochure was made in June 2012. Please see summary of material changes to the brochure which is attached.

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#### **Item 4: Advisory Business**

- A. Cantella was founded in 1952 by Vincent Cantella. Initially a broker dealer, the firm launched its advisory business as an (“RIA”) under the same name in 1996. A privately held company, Cantella’s largest stockholder is Cantella Management Corporation.
- B. Cantella’s business is to work with individuals and companies providing advisory services to Clients by and through IARs. These services consist principally of financial planning and asset management.

Cantella IARs can offer a number of options to clients with respect to financial planning.

- **Comprehensive Financial Planning:** This form of planning involves an in depth review of client’s financial condition. Most comprehensive plans will include a review of client’s assets, cash flow, insurance, retirement amongst other things depending on the individual client. The IAR will review each client’s information ultimately delivering a completed plan with commentary and recommendations.
- **Specific Financial Planning:** This form of planning, as the name suggests, is specific to an objective a client is trying to complete. An example might be a client that only wants Retirement Planning. The IAR in this situation would be collecting information specific to the client’s retirement needs. The plan to be delivered to the client will be specific to the objective only.
- **Hourly Financial Consulting:** Through this form of planning the IAR will provide financial planning and/or investment advice on an hourly basis. An example of this form of planning may be when a client wants the IAR to review a financial product he/she might want to purchase.
- **Portfolio Monitoring:** This form of planning involves the IAR monitoring the client’s investment portfolio. An example would be where a client has an account that the Cantella IAR is not the IAR of record and the client wants the IAR to review the asset allocation mix to make sure they are properly diversified.

Financial Planning is a separate service from Cantella’s investment management services. Clients have full discretion as to how they choose to implement the recommendations discussed in the financial plan. There is no requirement to use Cantella or any of its representatives for investment services. An additional agreement will be required if the Client chooses to utilize the representative for further investment services.

Neither Cantella nor its IARs (unless they have the appropriate independent qualifications) are qualified to render legal or accounting advice, and do not claim to render such advice.

Cantella IARs can offer a number of options to clients with respect to investment management. Clients can hire, through an advisory contract, Cantella IARs to manage their assets. In this relationship the IAR will manage client assets in accordance with their individual risk tolerance, investment objective, time horizon and investment experience. IARs can manage these client assets through discretionary or non-discretionary trading. If a client chooses to give their IAR discretionary it gives the IAR the ability to manage the client’s account(s) without having to speak with the client each time they feel a transaction should be made. Any activity performed by the IAR will be in the best interest of the client. This discretion does not allow the IAR to withdraw funds from the client account. If a client chooses non-discretion then the IAR will have to speak with the client prior to executing any transaction in the client account. Cantella has agreements with three firms that provide custody and clearing: Pershing, National Financial, and Raymond James. The IAR will generally use one of the three firms for client accounts.

Cantella offers a number of advisory account types for IARs to use when managing client assets.

- **Cantella Classic Gold Accounts:** In Cantella Classic Gold Accounts the client pays transaction charges, as well as, an advisory fee, based on assets under management. The minimum account size to participate in this program is generally \$25,000. The minimum account size is subject to increase or decrease at Cantella’s discretion.
- **Cantella Classic Gold Tactical Accounts:** In Cantella Classic Gold Tactical Accounts the client pays transaction charges, as well as, advisory fees, based on assets under management. The minimum account size to participate in this program is generally \$100,000. The minimum account size is subject to increase or decrease at Cantella’s discretion.
- **Cantella Classic Platinum Wrap Program Accounts:** In Cantella Classic Platinum Wrap Accounts the client does not pay transaction charges. The client does pay an advisory fee, based on assets under management. The minimum account size to participate in the Cantella Classic Platinum Wrap Program is generally \$25,000. The minimum account size is subject to increase or decrease at Cantella’s discretion.
- **Opportunity Accounts:** In the Opportunity Account Program the client pays transaction charges, as well as, an advisory fee, based on assets under management. The minimum account size to participate in the Opportunity

Account Program is generally \$25,000. The minimum account size is subject to increase or decrease at Cantella's discretion.

- Ambassador Accounts: In the Ambassador Account Program clients do not pay transaction charges. The client does pay an advisory fee, based on assets under management. The minimum account size to participate in the Ambassador Account Program is \$50,000. The total advisory fee consists of the Advisors Fee, AMS Admin Fee (minimally \$100), and a Clearing Fee (minimally \$260).
- Third Party Money Managers: Cantella through its IARs may offer advisory services by referring clients to outside, or unaffiliated, money managers that are registered as investment advisors. When an IAR refers a client to a third party money manager the manager will provide asset management and investment advisory services directly to the client. The third party money manager is responsible for continuously monitoring client accounts and making trades when appropriate.
- Sub-Advisors: Cantella has entered into agreements with various sub-advisors. Under these agreements, the sub-advisors have agreed to provide various types of money management services. All sub-advisors whom Cantella selects will be licensed as investment advisors by their resident state and any applicable jurisdictions or RIAs with the Securities and Exchange Commission. Clients will not enter direct contracts with the sub-advisor. Cantella maintains the authority to hire and terminate the services of each sub-advisor contracted by Cantella.

After gathering information about a client's financial situation and investment objectives, the IAR may select one or more sub-advisors to manage a portion or all of the client's assets. Cantella is responsible for paying fees and brokerage commissions charged by the sub-advisor and may, in turn, charge its clients for these fees. Client's fee agreement will state the total fees payable and the percentage of that fee that is payable to the sub-advisor. This information is disclosed to the client in the client fee agreement.

Client's that enter into agreements with sub-advisors will receive that firm's ADV Part 2 prior or at the time of signing the client agreement.

Cantella is the sponsor for two sub-advisory platforms for IARs to utilize in meeting client objectives.

- Managed Account Command: via Pershing Managed Account Solutions ("Pershing"). Cantella provides investment management and investment advisory services through a partnership with Lockwood Advisors ("LA") through the Managed Account Command Program ("Account Command"). There are a number of options available through Account Command for IAR use with clients including separately managed accounts, LAAP, LIS, and AdvisorFlex. Cantella, as sponsor, provides its clients with an extensive range of investment advisory services through Account Command as well as individually managed accounts where Cantella has enlisted third parties, including LA, to offer various investment management products and services. LA and Cantella are not affiliated other than through jointly providing services to the Program.
  - Separately Managed Accounts ("SMA"): Traditional Separately Managed Account product offering more than 50 managers covering a variety of investment styles/options.
  - Lockwood Asset Allocation Portfolios ("LAAP"): LAAP is a discretionary, multi-discipline managed account product. As the portfolio manager, LA determines the asset allocation strategy and selects investment vehicles for each investment style component of LAAP based on its proprietary models. These models may consist of open and closed end mutual funds, exchange traded funds, exchange traded notes and other securities as determined by LA.
  - Lockwood Investment Strategies ("LIS"): LIS is a discretionary, multi disciplined unified managed account program. A single account will have five core models invested in the account versus opening five separate accounts each with its own strategy. The five models span the risk/return spectrum, from current income to growth, within the context of a diversified portfolio. As portfolio manager, LA determines the asset allocation strategy and selects both sub-advisors and/or specific investment vehicles for each investment style component based on the firm's proprietary modeling strategies, as well as its macroeconomic outlook and investment discipline. These models may consist of individual securities, mutual funds, exchange traded funds, exchange traded notes and other securities as determined by LA.
  - AdvisorFlex Portfolios ("AFP"): AFP includes three objective based strategies which are Appreciation, Income, and Preservation ("strategies"), with multiple models within each strategy. AFP consists of sixteen models/asset allocation strategies ("Models").
    - The Appreciation Strategy is designed to provide the long-term level of returns associated with equity and fixed income asset classes, while seeking above average risk-adjusted

levels of appreciation. Within this strategy there are six models available. Model I is the most conservative and Model VI is the most aggressive. The models seek to achieve their objectives through tilts toward asset classes with above average cumulative return potential, as well as asset classes that pay a premium to investors with a long-term time horizon.

- The Preservation Strategy is designed to provide the long-term level of returns typically associated with equity and fixed income asset classes, while seeking downside protection and a lower level of long-term volatility, relative to respective standard capitalization. Within the strategy there are five models available. Model I is the most conservative and Model V is the most aggressive. The models seek to achieve their objectives through tilts toward non-cyclical economic sectors, higher quality securities, and alternative strategies that may alter the risk characteristics of the portfolio.
- Income Strategy is designed to provide an above-average level of yield while maintaining a diversified portfolio. Within the strategy there are five models available. Model I is the most conservative and Model V is the most aggressive. The models seek to achieve their objectives through the use of numerous asset classes which may include high dividend-yielding stocks, real estate investment trusts, master limited partnerships, closed-end funds, fixed income, and preferred securities.
- LA in its sole discretion may rebalance a Client account in such instances as are in the Client's best interests. LA reviews each account's drift from the selected Model on a regular basis and rebalances an account as the circumstances warrant. Drift may occur if a particular portion of the account increases requiring rebalancing to get the account allocated to the Model's objectives. Lockwood monitors the asset allocations and oversees the investment selections to ensure the AFP models and investments are performing as expected. Multiple factors are considered any time a change is recommended. The Client grants limited discretion to his/her IAR to make changes to primary selections and alternate selections in Client's AFP account and to make other decisions relating to the AFP account on the Client's behalf.
- The minimum account size to participate in the SMA is generally \$100,000, the AFP and LAAP programs are generally \$50,000 and the LIS program is generally \$250,000. The minimum account size is subject to increase or decrease at the sponsor's discretion.
- Managed Account Solutions: via National Financial Services ("NFS"). Cantella provides investment management and investment advisory services through a partnership with Envestnet Asset Management ("Envestnet") and their contracted independent investment advisors through the Managed Account Solutions Program ("MAS"). Cantella provides its clients through their IAR an extensive range of investment advisory services through MAS as well as individually managed accounts where Cantella has enlisted third parties, including Envestnet, to offer various investment management products and services. Envestnet and Cantella are not affiliated other than through jointly providing services to the Program. The minimum account size to participate in the MAS program is generally \$100,000. The minimum account size is subject to increase or decrease at the sponsor's discretion.

Regarding asset management and investment vehicle evaluation, Cantella primarily utilizes information gathered by Envestnet through their initial and ongoing research and due diligence process. Cantella offers Managers from Envestnet's "Approved" list. In order to list a Manager as "Approved," Envestnet employs a rigorous multi-phase approach to researching and selecting Managers suitable for participation in its investment programs. "Approved" Managers are evaluated using data and information from several sources, including the Manager and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed is the Manager's ADV 2, portfolio holdings reports, which help to demonstrate the Manager's securities selection process. To ensure accuracy, Envestnet attempts to verify all information by comparing it to public available sources.

Cantella also makes available to its IARs Third Party Wrap Programs, for use with appropriate clients. These programs are offered by Outside Registered Investment Advisory Firms ("Outside RIA"), referred to as third party wrap programs. Cantella participates in a number of third party wrap programs that offer investment options across investment styles and objectives. The Client accounts for these programs are generally held at the Third Party and not via NFS, Pershing or Raymond James. Third party programs may have account minimums, which are disclosed in their investment advisory

brochures. Generally they will not accept accounts under \$100,000, although some have higher and some have lower minimums.

The Sponsors of the wrap program generally recommend a selection of participating manager(s). The Sponsor reviews information such as backgrounds, history, past performance, and keeping with one's stated objectives and risk tolerance. The Sponsor uses this information to determine which investment managers will be included as available choices in the wrap program.

- C. Cantella makes available through its IARs, advisory services to meet most individual client needs and objectives. It is the role of the IAR to meet with clients and determine which option(s) are most suitable in assisting clients with meeting their investment needs. Certain programs available through Cantella may be utilized by multiple clients that have similar time horizons, needs and objectives. Cantella offers clients the ability to place restrictions on their advisory account(s). In general the restrictions may include security type, specific securities, and cash balance requirement. Under certain situations a restriction may prevent the IAR from providing investment choices to meet a client's needs. In the event a restriction does impair the IARs ability to manage a portfolio effectively the client agreement may be terminated under the terms of the contract.
- D. Cantella offers a number of wrap fee programs to clients. Each IAR manages their client accounts based on the client's personal investment needs and objectives. A wrap account is determined by the way fees are paid by clients for advisory fees associated with their account(s). In a wrap account a client pays one fee for advisory services and any transaction costs. In a non-wrap account or transaction account the client will pay an advisor fee and for any transaction costs associated with buys or sells in the client account(s). Through the IARs process of getting to know their client the decision to utilize a wrap account or transaction based account will be determined. Cantella receives a portion of wrap fees paid to IARs.
- E. Cantella IARs may manage client accounts on a discretionary or non-discretionary basis.

DISCRETIONARY	NON-DISCRETIONARY	DATE CALCULATED
\$218,411,099	\$397,465,619	March 2012

## **Item 5: Fees and Compensation**

- A. As described in Item 4 Cantella offers a number of advisory services to meet client needs and objectives. Cantella offers these services for a percentage of assets under management, hourly charges, or fixed fees.

Advisory fees and financial planning fees charged are negotiable and assessed on an individual client basis according to different methods disclosed to and agreed upon in advance with the client. Amounts charged take into account the complexity of work to be performed, time involved, degree of responsibility of the IAR, special needs and characteristics of the client, types of investments, costs to manage the account, etc. Certain programs have fees that cannot be negotiated as they are fixed costs associated with that particular offering. In these instances Cantella works with programs to attempt to negotiate the best possible fees for its clients.

**Financial Planning:** Fees charged by IARs are generally based upon actual or estimated hourly charges, which can vary according to the complexity of the financial planning services being provided. Hourly fees charged by the IAR generally range from \$50 to \$300 per hour. Cantella typically retains ten percent and the IAR retains the balance. Generally, upon the conclusion of the Financial Planning service(s) the client will write a check, payable to Cantella for services rendered, in full. However, sometimes other arrangements, which are laid out in the financial plan may be made. This may occur for instance if an IAR is preparing a comprehensive financial plan and the payment for services is done through various stages of the planning process.

- **Cantella Classic Gold Accounts:** Clients will compensate Cantella for investment advisory services on an annual basis at the rate set forth in the Classic Gold Investment Advisory Agreement. The fee will be payable quarterly in advance. New accounts opened during the first or second month of the quarter are billed initially for the days from inception to the end of the quarter based on the inception value. New accounts opened during the last month of the quarter are billed initially for the days from inception to the end of the month, plus the next full quarter based on the inception value. The initial quarterly payment will become due in full on the date the account is accepted and will be based on the account asset value as of that date.

For Gold accounts carried at National Financial Services, LLC subsequent quarterly fees will be calculated based upon the average daily market value of Client's Gold Fee Investments, during the prior quarter. For Gold accounts

carried at Pershing, LLC subsequent quarterly fees will be calculated based upon the previous quarter's end value of the Gold Fee Investments.

Standard fee schedule for Cantella Classic Gold accounts: As stated above fees are negotiable. Any adjustments made to the fee schedule need to be detailed on Schedule A of the Gold Investment Advisory Client Agreement.

Account Asset Value	Annualized Fee
First \$500,000	2.0%
Next \$500,000	1.75%
Over \$1 million	1.50%

- **Cantella Classic Gold Tactical Program:** Clients will compensate Cantella for investment advisory services on an annual basis at the rate set forth in the Classic Gold Tactical Investment Advisory Agreement. The fee will be payable quarterly in advance. New accounts opened during the first or second month of the quarter are billed initially for the days from inception to the end of the quarter based on the inception value. New accounts opened during the last month of the quarter are billed initially for the days from inception to the end of the month, plus the next full quarter based on the inception value. The initial quarterly payment will become due in full on the date the account is accepted and will be based on the account asset value as of that date.

In the case of the Tactical account advisory fees paid are a combination of the IARs fee and Cantella's Program Fee.

For Gold Tactical accounts carried at National Financial Services, LLC subsequent quarterly fees will be calculated based upon the average daily market value of Client's Gold Fee Investments, during the prior quarter. For Gold accounts carried at Pershing, LLC subsequent quarterly fees will be calculated based upon the previous quarter's end value of the Gold Tactical Fee Investments.

Standard fee schedule for Cantella Classic Gold Tactical accounts: As stated above fees are negotiable. Any adjustments made to the fee schedule need to be detailed on Schedule A of the Gold Tactical Investment Advisory Client Agreement.

Account Asset Value	Annualized Fee
First \$500,000	2.90%
Next \$500,000	2.65%
Over \$1 million	2.40%

- **Cantella Classic Platinum Wrap Program:** Clients will compensate Cantella for investment advisory services on an annual basis at the rate set forth in the Classic Platinum Wrap Investment Advisory Agreement. The fee will be payable quarterly in advance. New accounts opened during the first or second month of the quarter are billed initially for the days from inception to the end of the quarter based on the inception value. New accounts opened during the last month of the quarter are billed initially for the days from inception to the end of the month, plus the next full quarter based on the inception value. The initial quarterly payment will become due in full on the date the account is accepted and will be based on the account asset value as of that date. In Platinum accounts clients do not pay transaction costs associated with trade activity in their account(s).

For Platinum accounts carried at National Financial Services, LLC subsequent quarterly fees will be calculated based upon the average daily market value of Client's Platinum Fee Investments, during the prior quarter. For Platinum accounts carried at Pershing, LLC subsequent quarterly fees will be calculated based upon the previous quarter's end value of the Platinum Fee Investments. Clients are subject to a purchase and handling fee on certain transactions.

Standard fee schedule for Cantella Classic Platinum Wrap Program accounts: As stated above fees are negotiable. Any adjustments made to the fee schedule need to be detailed on Schedule A of the Platinum Investment Advisory Client Agreement.



Account Asset Value	Annualized Fee
First \$500,000	2.50%
Next \$500,000	1.75%
Next \$4 million	1.55%
Next \$10 million	1.30%

- Opportunity Accounts:** Clients will compensate Cantella for investment advisory services on an annual fee basis at the rate set forth in the Opportunity Fee Agreement. The fee will be payable quarterly in advance. New accounts opened during the first or second month of the quarter are billed initially for the days from inception to the end of the quarter based on the inception value. New accounts opened during the last month of the quarter are billed initially for the days from inception to the end of the month, plus the next full quarter based on the inception value. The initial quarterly payment will become due in full on the date the account is accepted and will be based on the account asset value as of the date.

Subsequent quarterly fees will be calculated based upon the market value of client's Opportunity Fee Investments on the last business day of the previous calendar quarter and will become due the following business day.

Standard fee schedule for Opportunity accounts: Client can select either the blended or three tiered fee structure. Fees are negotiable. Any adjustments made to the fee schedule need to be written in the fee schedule of the Opportunity Client Agreement.

<b>Blended Fee Schedule</b>	
Account Asset Value	Annualized Fee
First \$200,000	2.00%
Next \$300,000	1.50%
Amounts over \$500,000	1.00%

<b>Tiered Fee Schedule</b>	
Account Asset Value (Open-End Mutual Funds)	Annualized Fee
First \$100,000	1.75%
Next \$100,000	1.50%
Next \$300,000	1.25%
Amounts over \$500,000	.75%

Account Asset Value (Bonds)	Annualized Fee
First \$100,000	1.50%
Next \$100,000	1.25%
Next \$300,000	1.00%
Amounts over \$500,000	.75%

Account Asset Value (Excluding Open-End Mutual Funds & Bonds)	Annualized Fee
First \$200,000	2.00%
Next \$300,000	1.50%
Amounts over \$500,000	1.00%

- Ambassador Accounts:** Clients will compensate Cantella for investment advisory services on an annual fee basis at the rate set forth in the Ambassador Fee Agreement. The fee will be payable quarterly in advance. New accounts opened during the first or second month of the quarter are billed initially for the days from inception to the end of the quarter based on the inception value. New accounts opened during the last month of the quarter are billed initially for the days from inception to the end of the month, plus the next full quarter based on the inception value. The initial quarterly payment will become due in full on the date the account is accepted and will be based on the account asset value as of the date.

Subsequent quarterly fees will be calculated based upon the market value of client's Opportunity Fee Investments on the last business day of the previous calendar quarter and will become due the following business day.

Standard fee schedule for Ambassador Accounts: Fees are negotiable. Any adjustments made to the fee schedule need to be written in the fee schedule of the Opportunity Client Agreement.

Account Value	Advisor Fee	AMS Admin Fee	Clearing Fee	Total Fee
First \$200,000	1.90%	0.09%	0.26%	2.25%
Next \$300,000	1.45%	0.09%	0.21%	1.75%
Next \$500,000	1.05%	0.09%	0.11%	1.25%
Next \$4,000,000	1.15%	0.05%	0.05%	1.25%

Accounts greater than \$5,000,000 are negotiable.

- **Sub-Advisors:** Sub-Advisor fees are payable in accordance with the Form ADV Part 2 or other equivalent disclosure document of each sub-advisor to whom the IAR selects and may or may not be negotiable, as disclosed in the disclosure documents of the sub-advisor(s). Clients will be provided with the sub-advisor's ADV 2.
  - **Managed Account Command:** The standard maximum fee for the SMA program and LIS program accounts is 2.50%. The standard maximum fee for the LAAP program is 2.25%. The standard maximum fee for the AdvisorFlex program is 2.00%. Fees charged are negotiable and assessed on an individual basis according to different methods disclosed to and agreed upon in advance with Client via the Cantella Account Command Agreement ("Agreement"). The fees charged take into account the complexity of the work performed, time involved, degree of responsibility of the IAR, special needs and characteristics of Client, types of investments, etc. Client will compensate the IAR for investment advisory services on an annual fee basis at the rate set forth in the Agreement. The fee will be payable quarterly in advance for all Account Command programs. The fee paid will also be inclusive of any program fees and portfolio manager fees if applicable. Program fees and portfolio manager fees are further disclosed on Appendix 1 the Wrap Fee Program Brochure.

New accounts opened during the first or second month of the quarter are billed initially for the days from inception to the end of the quarter based on the inception value. New accounts opened during the last month of the quarter are billed initially for the days from inception to the end of the month, plus the next full quarter based on the inception value. The initial quarterly payment will become due in full on the date the account is accepted and will be based on the account asset value as of that date. Subsequent quarterly fees will be calculated based upon prior calendar quarter ending balances.

A portion of the annual advisory fee charged by IARs is paid to Cantella. Though the percentage can vary, Cantella typically retains ten percent and the IAR retains the balance after paying any software or production charges.

Standard fee schedule for SMA accounts:

Account Asset Value	Standard Annualized Fee
First \$500,000	2.50%
Next \$500,000	1.75%
Next \$4 million	1.55%
Next \$10 million	1.30%

Standard fee schedule for AdvisorFlex accounts:

Account Asset Value	Standard Annualized Fee
First \$500,000	2.00%
Next \$500,000	1.75%
Over \$1 million	1.50%

Standard fee schedule for LAAP accounts:

Account Asset Value	Standard Annualized Fee
First \$500,000	2.25%
Next \$500,000	1.50%
Next \$4 million	1.20%
Next \$5 million	1.00%
Next \$10 million	.90%

## Standard fee schedule for LIS accounts:

Account Asset Value	Standard Annualized Fee
First \$500,000	2.50%
Next \$500,000	1.90%
Next \$4 million	1.70%
Next \$5 million	1.45%
Next \$10 million	1.20%

- Managed Account Solutions: Fees charged are negotiable and assessed on an individual basis according to different methods disclosed to an agreed upon in advance with the client via the Statement of Investment Selection (“Agreement”). The fees charged take into account the complexity of the work performed, time involved, degree of responsibility of the IAR, special needs and characteristics of the client, types of investments, etc.

Fees are payable quarterly in advance for all MAS programs except the MAS Strategic Advisors Mutual Fund Portfolio Program which bills in arrears based on average daily balances. New accounts opened during the first or second month of the quarter are billed initially for the days from inception to the end of the quarter based on the inception value. New accounts opened during the last month of the quarter are billed initially for the days from inception to the end of the month, plus the next full quarter based on the inception value. The initial quarterly payment will become due in full on the date the account is accepted and will be based on the account asset value as of that date. Subsequent quarterly fees will be calculated based upon prior calendar quarter ending balances.

A portion of the annual advisory fee charged by IAR is paid to Cantella for administration of the account. Though the percentage can vary, Cantella typically retains ten percent and the IAR retains the balance. The standard maximum fee for MAS program accounts is 2.5%.

The portfolio managers participating in the Separately Managed Accounts charge a range of fees. These fees generally range within the following categories:

Equity disciplines:	.40% to .50%
Fixed income strategies:	.35% to .40%
International disciplines:	over .50%

Under the Strategic Advisors Mutual Fund Portfolio Program the fees are as follows:

Chargeable Assets	Manager Fee
First \$250,000	.40%
Next \$250,000	.40%
Next \$500,000	.35%
Next \$1 million	.31%
Next \$3 million	.28%
Over \$5 million	.26%

- **Third Party Wrap Programs:** IARs typically have their Client complete a financial questionnaire and discuss the Client’s investment goals and objectives to begin the manager selection process. IARs then work with the Sponsor to determine which investment manager(s) meet the client’s investment criteria.

- B. There are a number of factors that determine whether fees are deducted from client assets or billed to clients for fees incurred. For most advisory accounts fees are deducted from client account(s) unless other arrangements are made. Additionally some of the programs offered through Cantella using sub-advisors, separate account managers, and third party money managers won’t allow for clients to be billed for services provide. Accounts are charged an annual fee paid quarterly. With respect to financial planning, clients will be billed for the services provided. Most advisory accounts are charged an annual fee that is paid quarterly in advance. The exception is the Strategic Advisors Mutual Fund Portfolio Program offered through the MAS program which bills in arrears.

- C. From time to time clients may incur additional costs associated with advisory services offered through Cantella. Any of these costs may be specific to the clearing/custody firm where client assets are held. Additionally certain investment options may have built in costs separate from fees charged for advisory services.

- **Mutual fund expenses:** For clients with mutual fund investments, the fees paid for investment advisory services are separate and distinct from the fees charged by mutual funds to their shareholders. These fees and expenses are described in the Prospectus of each mutual fund. Clients investing directly with a fund would not receive the services of Cantella which are designed to assist the client in determining which mutual fund or funds are most appropriate to meet a client's financial goals and objectives.
- **Cantella Classic Gold and Classic Gold Tactical Accounts:** Client's with Classic Gold and Classic Gold Tactical accounts are responsible for paying ticket charges on trades that occur in their account(s).

Schedule of Charges for Execution and Clearing of Transactions:

Security Type	Processing Fee
Stocks: Listed	\$29.95 plus \$.015 per share for all listed trades over 2,500 shares
Stocks: OTC	\$29.95
Mutual Funds*	\$29.95
Options	\$50.00 plus additional \$1.50 per contract for orders in excess of 20 contracts
Bonds: Government, Corporate, Municipal, Mortgage Backed	\$50

\*Pershing, National Financial and Raymond James have programs available that allow you to buy or sell over 1,000 no load or load waived mutual funds without a transaction fee. A separate list of these funds is available.

In addition to the foregoing transaction charges, client will incur a charge in the amount of \$5.65 per transaction for postage & handling charges at both National Financial and Pershing. Client may also incur charges for other account services provided by Cantella through Cantella not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

- **Cantella Classic Platinum Wrap Program:** In Classic Platinum Wrap Program accounts clients pay one fee that includes the advisory fee as well as any transaction charges. Clients will incur a charge in the amount of \$5.65 for postage & handling charges at both National Financial and Pershing. Client may also incur charges for other account services provided by Cantella through Cantella not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.
- **Opportunity Accounts:** In Opportunity accounts clients are responsible for paying an advisory fee as well as any transaction fees associated with the execution of trades in their account(s).

Transaction Fee Schedule	
Security Type	Transaction Fee
Stocks: Listed and OTC	\$30.00
Closed End Mutual Funds	\$30.00
Mutual Funds	\$30.00
Preferred Stocks	\$50.00
Options	\$50.00
Bonds: Government, Corporate, Municipal, & Mortgage Backed	\$50.00

Client may also incur charges for other account services provided by Cantella through Cantella not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

- **Sub-Advisor and Third Party Wrap Program Accounts:** Client may incur charges for other account services through these programs. These fees not directly related to the execution and clearing of transactions may include but are not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

- D. In general clients do not have the ability to choose whether their advisory fees are payable in advance or in arrears. Currently all of the advisory services offered through IARs to clients are set up for advance billing. The only option that fees are charged in arrears is the MAS Strategic Advisors Mutual Fund Portfolio Program. Financial Planning payments may be in advance but generally occur when the engagement has been completed.

Cantella Classic Gold Accounts, Cantella Classic Gold Tactical Accounts and Cantella Classic Platinum Wrap Program Accounts: Clients are entitled to terminate their participation in the above programs within five business days of signing the client agreement and will receive a refund of all advisory fees. Clients may also terminate advisory contracts at any time on at least 30 days prior written notice. Fees earned by the IAR will be paid upon termination, with a refund of any unearned fees pro rata to the time period involved. Any client funds that are added or withdrawn from an account(s) will be accounted for during the following quarter's billings.

Managed Account Command Accounts and Managed Account Solutions Accounts: In the event of termination, the client will be refunded the prorated portion of the fee for the quarter of termination. With respect to the MAS Strategic Advisors Mutual Fund Portfolio Program and client terminations fees will be collected upon receipt of the termination request for the portion of the fee earned over the period of time services were provided.

Opportunity Accounts: There will be no refund of advisory fees previously paid with respect to withdrawals of cash and/or securities unless an account is cancelled. In the event of termination of Opportunity account, client will be refunded the prorated portion of the fee for the quarter of termination.

Third Party Wrap Programs: Clients are encouraged to review the particular third party money manager's ADV 2 and fee agreements to determine if fees are billable in advance or in arrears. If the fees are charged in advance the manager will disclose their policy on reimbursements caused by termination or withdrawals for accounts.

- E. In addition to being an SEC RIA, Cantella & Co., Inc. is a Financial Industry Regulatory Authority ("FINRA") registered broker/dealer providing services related to the purchase and sale of securities of which investment advisory services are only a part of this business. As a registered broker/dealer, Cantella may receive compensation for clearance and execution services, as well as payment for order flow and certain balances in accounts (e.g. 12b-1 fees). Except for accounts held at Raymond James, Cantella will pass along any 12b-1 fees to IARs.

IARs of Cantella do not receive commissions for trades occurring in client advisory accounts. Any fees associated with transactions are either retained by the custody/clearing firm or Cantella. In the event a security is purchased that causing a client to pay a sales charge, the security will be excluded from billing while held in the client account.

There is potentially a conflict of interest with respect to IARs receiving 12b-1 fees in addition to the IAR fees paid by clients. This conflict may influence IARs to recommend mutual funds with these fees over funds that do not.

Clients may have the option to purchase investment products that are recommended to them by Cantella IARs through other IARs not affiliated with Cantella.

Cantella IARs are also Cantella Registered Representatives. When trading in an advisory account clients do not incur commissions. Commissions are charged in brokerage accounts established by Cantella registered representatives.

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

Cantella does not currently offer performance based fees as an option for clients with respect to paying fees for advisory services.

## **Item 7: Types of Clients**

Cantella generally provides advisory services to the following types of clients: Individuals, Pension and Profit Sharing Plans, Trusts, Estates, Charitable Organizations, and Corporations or Business entities other than those previously listed.

To review account minimums please refer to Item 1 Advisory Services. Cantella can increase or decrease account minimums at its discretion.

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

A. IARs of Cantella use a variety analysis methods, investment strategies and risk of loss when managing client assets.

- Methods of analysis:
  - Charting: The graphing of market variables, especially of stock prices and market averages. IARs may also chart other variables including commodity prices, interest rates, and trading volume in an attempt to determine trends and project future values.
  - Fundamental: Analysis of security values grounded in basic factors such as earnings, balance sheet variables, and management quality. Attempts to determine the true value of a security, and, if the market price of the stock deviates from this value, to take advantage of the difference by acquiring or selling the stock. This analysis may involve investigating a firm's financial statements, visiting its managers, or examining how a particular industry is affected by changes in the economy.
  - Tactical Analysis: The practice of using statistics to determine trends in security prices and make or recommend investment decisions based on those trends. Technical analysis does not attempt to determine the intrinsic value of securities, but instead focuses on matters such as trade volume, demand, and volatility.
  - Cyclical Analysis: The practice of analyzing business cycles with the goal of finding advantageous times to buy or sell a security.
- Investment Strategies:
  - Long-term purchases: This strategy generally involves holding a security for at least a year and potentially longer.
  - Short term purchases: This strategy generally involves holding a security for less than a year.
  - Trading: This strategy generally involves selling securities within 30 days of purchasing.
  - Short sales: This strategy usually, but not always, involves the sale of securities that are not owned by the seller in anticipation of profiting from a decline in the price of the securities.
  - Margin transactions: This strategy involves using ones current holdings as collateral to buy additional securities. Clients must complete specific paperwork to allow for such trading to occur in their account(s).
  - Option writing, including covered options, uncovered options or spreading strategies: Writing an option refers to the act of selling an option. An option is the right, but not obligation, to buy or sell a particular trading instrument at a specified price, on or before its expiration. When someone writes an option, they must deliver to the buyer a specified number of shares if the option is exercised. The writer has an obligation to perform a duty while the buyer has the option to take action. In the case of writing covered options the writer owns the security in advance of having to deliver should the buyer exercise the option. In the case of writing an uncovered option the seller does not own the security and would be subject to additional market risk should the option be executed. Spread strategies involve multiple options trading. Clients must complete additional documents in order to qualify for option trading.

**Investing in securities involves risk of loss that clients should be prepared to bear.**

B. Each investment strategy utilized by Cantella IARs contains inherent risks. The IAR works to mitigate those risks through sound due diligence into the securities used in building client portfolios.

- Risks associate with investment strategies
  - Long term purchases: General risk involved is opportunity risk. Opportunity risk is where by investing in one security you lose the potential to invest in something that may perform better in a shorter period.
  - Short term purchases: When utilizing short term purchasing as a strategy the risk is that one may miss out on the long term performance of a security. Additionally there may be additional costs involved with this strategy that may hurt over all performance of the client portfolio.
  - Trading: Frequent trading may impact a portfolios performance through increased costs associated with the amount of activity occurring in the client account.
  - Margin transactions: The major risks involving the use of margin transactions include market and interest rate risks. There are specific margin requirements set by the Federal Reserve and custodian. Generally clients with approved margin can use 50% of their holdings. Clients must then maintain a maintenance margin. This is a percentage of the current market value of the securities in the account. If this percentage falls below 25%, clients will be required to either deposit additional funds or sell off securities to meet the requirement. The interest rate risk comes into play on the funds being borrowed.

If interest rates increase, so will the cost associated with borrowing the funds to make the additional purchases. In the event a client does not meet their margin requirements, firms can sell off securities without contacting the client.

- Trading options: Market risk is the primary risk associated with trading options. The most conservative strategy for options trading is writing covered option. The reason it is more conservative than others is that the writer of the call already owns the security. Whereas with an uncovered option, the writer of the option would have to buy the security at whatever the security is selling for in the current market.

- C. In the course of providing investment advice, the IAR may address investment advisory issues affecting many types of assets, which may be owned by the client. These assets may include Equities, Warrants, Corporate Debt, Commercial Paper, Certificates of Deposit, Municipal Securities, Investment Company Securities, United States Government Securities, Securities Options Contracts, and Interest in Partnerships (investing in: Real Estate, Oil and Gas Interests). Additional investment options may include equipment leasing partnerships, collectibles, privately held business, real estate, and tangible personal property. IARs may also assist clients in selecting investment managers from various managed account programs to manage their assets.

Generally the security most used by Cantella IARs is individual equities. The primary risks involved with owning individual securities include the following:

- Market Risk: This is the risk that the stock owned will rise and fall with the market regardless of the company's fundamentals.
- Company Specific Risk: This is the risk associated with the specific company being owned. An example would be Enron. When Enron went under it had nothing to do with the stock market, it was the result of accounting improprieties at the company. Diversification can help to reduce the company specific risk of ones portfolio by owning multiple companies.
- Sector Risk: This risk is associated with a specific sector within the market. For example when the economy is hurting consumers generally begin to save and spend less on certain products or services. This may impact the entertainment industry for example as people are more frugal with their money.

### **Item 9: Disciplinary Information**

- A. Neither Cantella, nor any management persons, has had any criminal actions brought against them. Cantella, nor any management persons, has had any material civil actions brought against them.
- B. Neither Cantella, nor any management persons, has had any material administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
- C. Neither Cantella, nor any management persons, has had any material proceedings before a self-regulatory organization.

Individuals can view all Cantella & Co., Inc disclosures at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

- A. Cantella is currently registered with FINRA as a broker/dealer whose CRD # is 13905.
- B. Neither Cantella nor any of its management personnel are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading IAR, or an associate person of the foregoing entities.
- C. Cantella may have management personnel or related persons that are involved in other financial industry activities and affiliations. Cantella IARs are dually registered as Registered Representatives and must disclose this to clients as it is a potential a conflict of interest. Cantella provides traditional insurance services through its affiliated entity, Cantella Insurance Agency. Currently a number of IARs are licensed to sell insurance to clients and utilizing this entity. Cantella also has IARs that may be accountants or lawyers. Cantella has several relationships with Outside RIAs. These firms use Cantella to provide broker/dealer services. Outside RIAs may also act as the money manager for Cantella client's through their IARs.

Each IAR is required to disclose if he/she participates in any outside business activities, whether financial industry activities or not. In reviewing outside activity requests, Cantella will determine if there is a conflict of interest and

ultimately approve or deny the activity. Approved outside activities will be disclosed on the IARs supplemental brochure. Clients can also review any IARs outside activity through [www.FINRA.org](http://www.FINRA.org) in the broker check portion of the website.

- D. Cantella and its IARs from time to time may recommend or select other investment advisors for client accounts. Cantella receives compensation directly through advisory fees charged to clients. When utilizing these programs, IARs may act as a solicitor and are often paid a solicitors or finders fee.

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

- A. Cantella has adopted a Code of Ethics governing the conduct of its employees. Cantella monitors securities transactions of its employees. The Code of Ethics sets forth standards of conduct and addresses potential conflicts of interest among Cantella IARs. Christopher Mortara has been appointed as Chief Compliance Officer of Cantella. The firm's Code of Ethics is available to clients or prospective clients on [www.cantella.com](http://www.cantella.com) or they may request a copy by calling Cantella's Compliance Department at 800-333-3502 or they may email their request to [compliance@cantella.com](mailto:compliance@cantella.com).
- B. Cantella may act as principal in purchasing from or selling securities to customers. Bond traders often receive compensation for facilitating these types of bond transactions. Cantella may also engage in "agency cross transactions" (transactions in which we act as agent for both sides of the trade, usually involving a commission charge being paid by both parties). There is a potential for a conflict of interest in such transactions or potential for divided loyalties. These transactions will only be affected if deemed beneficial to both parties to the trade.

Cantella offers through its IARs the Cantella Classic Gold Tactical Program. There is a conflict of interest in that Cantella in addition to being the Broker Dealer of record and Registered Investment Advisor will also manage these accounts. Cantella mitigates this conflict by reviewing the new account application to determine if clients are suitable for the program. In addition the program has a \$100,000 minimum requirement in order to enter into the program. This will reduce the number of potential clients investing in the program. Additionally the Gold Tactical Program is designed for clients with an investment objective and goal of upside market capture and downside protection. In other words the goal of the program is to participate when the markets are positive while protecting client assets when the markets are negative.

- C. Cantella and/or related persons and affiliates may buy or sell for itself/themselves securities, which are also recommended to clients. All transactions are within FINRA guidelines. Such trades occasionally occur to facilitate the needs of the client. All accounts of Cantella or related persons are periodically reviewed by our Compliance Department for analysis of potential conflicts of interest and to satisfy all regulatory requirements.

#### **Item 12: Brokerage Practices**

- A. Cantella IARs are also registered representatives of Cantella acting in the capacity of Registered Representatives. Based on this relationship IARs that open advisory accounts will do so through Cantella as broker/dealer, utilizing one of the three custodian's the firm has entered into agreements to provide custody and clearing. Clients are not required to open their accounts through Cantella. In this case the Cantella IAR would not be able to service the account. The agreements in which Cantella has established include National Financial Services, Raymond James, and Pershing. Cantella continuously works with these firms to ensure best execution for client accounts.
1. Research and Other Soft Dollar Benefits: Cantella only receives services offered through their selected clearing firms per their agreement. This generally includes economic, stock, mutual fund, and fixed income research.
- Cantella does not utilize commissions to obtain additional research.
  - Each IAR working with their client can select where to custody client assets. Generally an IAR will select one of the clearing options to manage their client accounts. There is no execution benefit from selecting one clearing firm over another.
  - The type of advisory account opened by a client will determine if transaction charges are incurred as well as what those costs would be. Clients may or may not be able to achieve similar trades at less cost.
  - Cantella has not entered into any Soft Dollar agreements. If in the future such an agreement is signed Cantella will disclose this fact and how it would impact clients.
  - As stated above Cantella and its IARs do not receive any products or services as part of the commissions charged to clients.
  - Cantella IARs only direct clients to the broker dealer in which they are also registered representatives. As stated clients are not required to establish accounts with Cantella as broker dealer. If a client chooses a



broker dealer other than Cantella they would have service the account on their own or hire a representative from that broker dealer.

2. Brokerage for Client Referrals: Cantella IARs do not consider, in selecting broker/dealers, whether you or a related person receives client referrals from a broker/dealer or third party.
3. Direct Brokerage:
  - As previously disclosed Cantella IARs are dually registered through Cantella as registered representatives. As registered representatives any brokerage account is to be opened through Cantella as broker/dealer. Additionally as an IAR all accounts are opened through Cantella as broker/dealer. Although clients have the choice to direct brokerage, it may or may not always be in their best interest. By directing brokerage away from Cantella a client may be unable to achieve most favorable execution in transactions. This may cost clients more to trade their account. Additionally, if the client directs brokerage away from Cantella the Cantella IAR may not be able to service the client account.
  - In the cases where a client directs brokerage the costs associated may be higher due to the potential inability to aggregate orders to reduce transactions costs. Additionally if the client is paying the IAR a fee plus directing brokerage the total costs would be higher rather than opening the account through Cantella.
- B. Under appropriate circumstances, we may aggregate transactions for a number of advisory clients at the same time for execution purposes. This practice will not ordinarily affect or otherwise reduce commissions or other costs incurred. Aggregated securities may be allocated among advisory clients and their respective accounts on a pro rata basis depending upon the size of the transaction or some other equitable procedure adopted. In any case, trade allocation procedures may result in certain clients paying higher or lower prices for securities than may otherwise have been obtained. If, however, a security is trading in a very volatile fashion or the market is “fast”, it may be in the best interests of all parties to aggregate trades in order to obtain a timely and favorable execution.

### **Item 13: Review of Accounts**

- A. Financial plans are reviewed as they are submitted to the home office for approval. Since each plan may vary in scope and services needed the reviewer will identify that all required paperwork has been submitted for each client plan. The reviewer will then make sure that the overall plan is in good order and approve for payment to the IAR. In the event there is an issue with the required paperwork and or content of plan the reviewer will work with the IAR to resolve any issues.

Advisory accounts are reviewed in a number of ways. Additionally, compliance monitors on a regular basis the amount of trades occurring in advisory accounts, fees being paid by clients, large cash positions as well as concentrated positions.

The individuals that may conduct these reviews are Sam Silverman, Eric Zeigler, Mike Frasier, and Chris Mortara. Each of these individuals is a member of the Cantella compliance department.

- B. Compliance will additionally review all trades conducted by Cantella IARs, on a daily basis.
- C. Cantella does not generate performance reports for clients. Clients do receive statements from the custodian that holds their account(s). If a client has activity in their account, they will receive a statement for that month. Minimally clients will receive quarterly statements if there is no activity. Statements from the custodian will show account holdings and any transactions over the period being reported on. In certain cases the IAR may produce performance reports. Cantella requires these to be approved prior to being delivered to clients.

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

- A. Cantella may enter into agreements with its registered representatives or with Outside RIAs whereby the representative via their Outside RIA may act as solicitor for investment advisory services provided by Cantella or third parties. Cantella may receive a portion of advisory fees charged to clients in exchange for referrals and other services. Pursuant to such arrangements (which are disclosed in advance of a client agreement) the IAR arranges for the delivery of ADV Part 2 and brochures or other related material relative to advisory services to be provided to the client through the solicitor. Referral of Clients in exchange for a portion of advisory fees or other services may constitute a conflict of interest.

- B. Cantella or any related person does not currently compensate any persons for client referrals.

**Item 15: Custody**

Cantella does not take custody of client assets at any time. Clients with advisory accounts will receive account statements from the custodian that holds their assets. Clients should review their statements carefully and contact their IAR or Cantella with any questions.

**Item 16: Investment Discretion**

Clients may give their IAR limited discretionary authority to effect transactions within an account. This would give the IAR the full discretion, power, and authority to sell (including short sales), purchase, exchange, convert, tender, trade or otherwise acquire or dispose of stocks, bonds, and any other securities including the purchase and/or sale of option contracts (exchange traded or over-the-counter, puts, calls, etc) to open new option positions or close existing positions, to exercise option contracts and to sell option contracts as either a covered or uncovered writer, and/or contracts relating to the same on margin or otherwise in accordance with the terms and conditions of the client's account. As previously discussed the ability to trade options or use margin require additional documentation to be completed by the client. The use of discretion by an IAR will be in unison with the client's risk tolerance, investment objectives, and time horizon.

When utilizing certain advisory services such as third party money managers or separate account managers the IARs discretion will involve the selection of money manager(s) for their account(s). In these situations the IAR will not be making the buy/sell decisions for the account(s).

**Item 17: Voting Client Securities**

- A. Cantella and its IARs do not currently vote client securities.
- B. Clients will receive proxies and other solicitations directly from your custodian or a transfer agent. If clients have questions about any proxy or solicitation they should contact their IAR.

**Item 18: Financial Information**

- A. Cantella does not require prepayment of fees six month or more in advance.
- B. Cantella through its IARs may have discretionary authority over client account. There are no financial conditions that are likely to impair Cantella's ability to meet its contractual commitments to clients.
- C. Cantella has not been the subject of a bankruptcy petition.

## **Appendix 1 - Managed Account Command Wrap Fee Program Brochure**

101 Federal Street 13<sup>th</sup> Floor ~ Boston, MA 02110 ~ (800) 333-3502 ~ [www.cantella.com](http://www.cantella.com)

Cantella & Co., Inc (“Cantella”) is a nationally registered broker/dealer and SEC Registered RIA located in the Financial District in Boston. We are service professionals helping financial professionals provide for client financial needs which may include financial planning, retirement planning, children’s education planning, investment management, and managing taxes efficiently. Our experienced financial advisors utilize a vast array of wealth management tools to help individuals, families, and business owners develop investment portfolios and strategies to meet their financial goals and objectives.

This brochure provides information about the qualifications and business practices of Cantella. If you have any questions about the contents of this brochure, please contact Cantella at (800) 333-3502 or by email via [compliance@cantella.com](mailto:compliance@cantella.com).

The information in this brochure has not been approved or verified by the United States Securities Exchange Commission or by any state securities authority.

Being registered does not imply a certain level of skill or training.

Additional information about Cantella also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that Cantella or its Investment Advisor Representatives (“IAR”) provide to clients as required by the SEC Rules. This Wrap Fee Program Brochure dated March 31, 2011, replaces what was previously the Managed Account Command Schedule H and created according to the SEC’s new requirements and rules. The creation of this document constitutes a material change in structure. In addition the SEC has asked Registered Investment Advisors to include additional information previously not required. These are the only material changes from Cantella’s previously filed brochure.

Future versions of the Wrap Fee Program Brochure will disclose only material changes made to the document and be provided to clients with a summary of those changes.

In the past the SEC requirement was to offer the Wrap Fee Program Brochure annually to clients or prospective clients. New rules require Cantella to deliver to clients a summary of material changes on an annual basis within 120 days of the close of our business’ fiscal year. However, if there is a material change Cantella may send the summary more frequently.

The previous update to this brochure was in April 2010.

## **Item 3: Table of Contents**

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#### **Item 4: Services, Fees and Compensation**

- A. Cantella provides investment management and investment advisory services through a partnership with Lockwood Advisors (“LA”), through the Managed Account Command Program (“Account Command”) for the following programs: separately managed accounts, LAAP, LIS, and AdvisorFlex.

Cantella, as sponsor, provides its clients with an extensive range of investment advisory services through Account Command as well as individually managed accounts where Cantella has enlisted third parties, including LA, to offer various investment management products and services. LA and Cantella are not affiliates other than through jointly providing services to the Program. These services include:

- Assessment of the client’s investment needs and objectives;
- Development of an asset allocation strategy designed to meet the client’s objectives;
- Recommendations on suitable style allocations;
- Identification of appropriate Managers and investment vehicles suitable given the client’s goals;
- Evaluation of asset managers and investment vehicles meeting style and allocation criteria;
- Engagement of selected asset managers and investment vehicles on behalf of the client;
- Ongoing monitoring of individual manager’s performance and management;
- Review of client accounts to ensure adherence to policy guidelines and asset allocation;
- Recommendations for account rebalancing, if necessary;
- Online and paper reporting of client account(s) performance and progress; and
- Fully integrated back office support systems to advisors, including custody, trade execution, and confirmation and statement generation, through Pershing.

Cantella will provide Client, by and through an IAR, upon acceptance of Client’s account, some or all of the above referenced investment advisory services. Though all of the above referenced services may be offered, Client may select one or more of the services. Cantella does not require the Client to utilize all services offered.

##### **Investment Options:**

- Separately Managed Account Solutions (SMA): Traditional Separately Managed Account product offering more than 50 managers covering a variety of investment styles/options.
- Lockwood Asset Allocation Portfolios (LAAP): A discretionary, multi-discipline managed account product. As the portfolio manager, LA determines the asset allocation strategy and selects investment vehicles for each investment style component of LAAP based on its proprietary models. These models may consist of open and closed end mutual funds, exchange-traded funds, exchange-traded notes and other securities as determined by LA.
- Lockwood Investment Strategies (LIS): A discretionary, multi-discipline unified managed account product housed in a single account with five core models. The five models span the risk/return spectrum, from current income to growth, within the context of a diversified portfolio. As portfolio manager, LA determines the asset allocation strategy and selects both sub-advisors and/or specific investment vehicles for each investment-style component based on the firm’s proprietary modeling strategies, as well as its macroeconomic outlook and investment discipline. These models may consist of individual securities, mutual funds, exchange-traded funds, exchange-traded notes, and other securities as determined by LCM at its sole discretion.
- AdvisorFlex Portfolios (AFP): AFP includes three objective based strategies, Appreciation, Income, and Preservation (the “Strategies”), with multiple models within each strategy as described below. AFP consists of sixteen models/asset allocation strategies (“Models”).
  - Appreciation Strategy: The goal of the Appreciation Strategy is to provide long-term level of returns associated with equity and fixed income asset classes, while seeking above average risk-adjusted levels of appreciation. The Appreciation Strategy Models, representing various levels of expected risk and return are:

- Appreciation Model I
- Appreciation Model II
- Appreciation Model III
- Appreciation Model IV
- Appreciation Model V
- Appreciation Model VI

Model I is the most conservative Model and Model VI is the most aggressive. The underlying Appreciation Strategy Models seek to achieve their objectives through tilts toward asset classes with above average cumulative return potential, as well as asset classes that pay a premium to investors with a long-term time horizon.

- Preservation Strategy: The Preservation Strategy is designed to provide the long-term level of returns typically associated with equity and fixed income asset classes, while seeking downside protection and a lower level of long-term volatility, relative to respective standard capitalization-weighted indices. The Preservation Strategy Models, representing various levels of expected risk and return are:
  - Preservation Model I
  - Preservation Model II
  - Preservation Model III
  - Preservation Model IV
  - Preservation Model V

Model I is the most conservative and Model V is the most aggressive. The underlying Preservation Strategy Models seek to achieve their objectives through tilts toward non-cyclical economic sectors, higher quality securities, and alternative strategies that may alter the risk characteristics of the portfolio.

- Income Strategy: The Income Strategy is designed to provide an above average level of yield while maintaining a diversified portfolio. The Income Strategy Models, representing various levels of expected risk and return are:
  - Income Model I
  - Income Model II
  - Income Model III
  - Income Model IV
  - Income Model V

Model I is the most conservative and Model V is the most aggressive. The underlying Income Strategy Models seek to achieve their objectives through the use of numerous asset classes which may include high dividend yielding stocks, real estate investment trusts, master limited partnerships, closed-end funds, fixed income, and preferred securities.

The AdvisorFlex Models are intended to align with the different phases of the investor life cycle, from wealth accumulation, to transition into retirement and ultimately, the management and distribution of income. Each of the Models contains specific investment selections. Disclosures relating to the specific investment selections are contained herein and should be reviewed in detail by each client. The client and his/her IAR are responsible for selecting the appropriate Model for the client.

Standard AdvisorFlex Product:

In the first variation, Lockwood makes available through the Sponsor all sixteen Models and over 100 investment options to IAR and his/her Client. For each investment selection within a model, Lockwood identifies several options from which the Client and his/her IAR may choose. Within each Model, there will be primary investment selections ("Primary Selections") and alternate investment selections ("Alternative Selections") from which the Client and his/her IAR may choose.

At any time and in Lockwood's sole discretion, Lockwood may reclassify a Primary Selection as an Alternate Selection. In such a case, existing Accounts holding the Primary Selection may retain the Selection or affirmatively change to the new Primary Selection. In each instance, Lockwood will issue an "alert" to identify the new Primary Selection. In the event that a Primary Selection is eliminated from a Model altogether, all Accounts in the Model will default to the new Primary Selection. In the event that Lockwood removes one of the Alternate Selections, affected Accounts will default to either the Primary Selection or another, available Alternate Selection, as determined by Lockwood.

In certain instances when a client selects both Primary Selections and Alternate Selections to complete a Model, the mixture of Primary Selections and Alternate Selections may result in changes to the weightings within an asset allocation.

Certain asset classes may contain only Primary Selections; Alternate Selections will not be made available in those cases, in Lockwood's sole discretion.

Program Fees:

The standard maximum fee for the SMA Program and LIS Program accounts is 2.5%. The standard maximum fee for the LIS Program is 2.25%. The standard maximum fee for the AdvisorFlex Program is 2.0%. The maximum fee includes the IAR's fee plus any additional fees disclosed below in relation to the investment management of the client account(s). The IAR's fees are negotiable and assessed on an individual basis according to different methods disclosed to and agreed upon in advance with the client via the Cantella Account Command Agreement (hereinafter referred to as "Agreement"). The fees charged take into account the complexity of the work performed, time involved, degree of responsibility of the IAR, special needs and characteristics of each client, types of investments, etc. The Program fees and Separately Managed Accounts fees are not negotiable.

New accounts opened during the first or second month of the quarter are billed initially for the days from inception to the end of the quarter based on the inception value. New accounts opened during the last month of the quarter are billed initially for the days from inception to the end of the month, plus the next full quarter based on the inception value. The initial quarterly payment will become due in full on the date the account is accepted and will be based on the account asset value as of that date. Subsequent quarter fees will be calculated based upon prior calendar quarter ending balances.

No fee adjustments will be made for withdrawal of funds until adjustments are made as reflected in the next quarter's invoice. Cash balances will be held in one of the following accounts: Federated Capital Reserves, Pershing Prime Reserves, or the Federated Master Trust. Cantella will deduct from the client's account any fee owed to IAR pursuant to the terms of the Agreement. All fees paid to the IAR will be reported to the client on their quarterly statements.

Fee Schedules:

<b>SMA Asset Level</b>	<b>Program fee – Equities</b>	<b>Program fee – Fixed Income</b>
First \$500K	.35%	.25%
Next \$500K	.34%	.18%
Next \$4 million	.32%	.15%
Next \$10 million	.28%	.12%

In addition to the program fee the portfolio managers participating in the Separately Managed Accounts Program charge a range of fees however, the fees generally fall within the following categories:

Equity disciplines: .40% to .50%  
 Fixed Income disciplines: .35% to .40%  
 International disciplines: .50% or more

<b>AdvisorFlex Asset Level</b>	<b>Program Fee</b>
First \$500K	.40%
Next \$500K	.35%
Over \$1 million	.25%

<b>LAAP Asset Level</b>	<b>Program Fee</b>
First \$500K	.40%
Next \$500K	.35%
Next \$4 million	.30%
Next \$5 million	.25%
Next \$10 million	.20%

<b>LIS Asset Level</b>	<b>Program Fee</b>
First \$500K	.75%
Next \$500K	.55%
Next \$4 million	.40%
Next \$5 million	.35%
Next \$10 million	.30%

- B. As the IAR is recommending a program in which they receive compensation, it is possible that the amount of compensation may be more than if the Client participated in other programs or paid separately for investment advice, brokerage, and other services.
- C. The wrap fee will consist of all advisory fees, program fees, and transaction charges. There are certain fees that are not part of the wrap fee which may include but not limited to IRA custodial fees, safekeeping fees, interest charges on margin loans, wire fees, and fees for legal or courtesy transfers of securities. If an account holds any mutual funds the client will also incur the funds internal expenses. These expenses are part of the net asset value or price of the mutual fund owned. To view a funds internal expenses, clients should review its prospectus.
- D. Clients of the Program will compensate the IAR for investment advisory services on an annual basis at the rate set forth in the Agreement. The fee will be payable quarterly in advance for all Account Command programs. The amount of this compensation may be more than what the IAR would receive if the client participated in Cantella's other programs, or paid separately for investment advice, brokerage, and other services. The IAR may have a financial incentive to recommend the wrap fee program over other programs and services. A portion of the annual IAR fee charged by the IAR is paid to Cantella for administration of the account.

## **Item 5: Account Requirements and Types of Clients**

Clients participating in the Programs are required to grant full discretion in investment authority to their IAR and Manager to invest, reinvest, sell, exchange, allocate and reallocate assets, and otherwise deal with Program assets in their discretion.

Clients participating in the Programs are required to authorize Cantella and LA to designate Pershing LLC, a BNY Securities Group Co. and subsidiary of the Bank of New York Company, Inc. ("PS") to provide trade execution, trade clearing, and custodial services with respect to Program assets.

The minimum account size to participate in the SMA Program is generally \$100,000, the AdvisorFlex and LAAP Programs are generally \$50,000 and the LIS Program is generally \$250,000. The minimum account size is subject to increase or decrease at the sponsor's discretion based upon the circumstances of each client, as well as the requirements of the Manager.

There are a number of ways a client can fund their account(s) in the Program. However, certain offerings within the Programs may enforce restrictions on what investments can be used to fund an account. Each of the Programs will accept cash. Equity Managers will accept stocks they currently hold in their Strategy. They may allow additional stock holdings at their discretion. Bond Managers require any bond being transferred into a client account to be pre-approved by the Manager. Balanced Managers require any bond to be pre-approved in order to transfer into the client account. Additionally they may accept exchange listed stocks and ADRs. Once cash or securities are deposited into the client account the Manager will have discretion over the client assets.

There are certain ineligible assets that cannot be transferred into the client account. These include but are not limited to UITs, limited partnerships, insurance, and annuities.



IARs will work with clients in reviewing their current holdings to determine which Program or Manager is most suitable to meet not only their investment objectives, time horizon and risk tolerance but also what course to take with the current holdings.

Cantella generally provides advisory services to the following types of clients: Individuals, Pension and Profit Sharing Plans, Trusts, Estates, Charitable Organizations, and Corporations or Business entities other than those previously listed.

## **Item 6: Portfolio Manager Selection and Evaluation**

- A. Cantella primarily utilizes information gathered by LA through their initial and ongoing research and due diligence process. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. To ensure accuracy, LA attempts to verify all information by comparing it to publicly available sources. The investment professionals at the investment management firms are a primary source of information to LA, providing quantitative and qualitative information. In addition, LA employs several publicly available databases from independent sources. These databases are used to verify the information provided by Managers.

Before offering services provided by independent Managers to clients, Cantella reviews evaluations of these Managers and may request additional information from the Managers to evaluate the competence and experience of Managers before making available their services to clients. At least annually, Cantella will review any updates to this information to determine if the Manager is still suitable for Cantella clients.

Additionally, LA provides information updates to Cantella for various Managers. These updates may include information such as persistent underperformance, inattention to style mandate, etc. Cantella will monitor and identify any situation which may warrant Cantella to cease offering the Manager's services to new clients, and recommend a replacement Manager(s) to existing clients. In these situations, Cantella will review each client situation based upon tax implications and other considerations involved in replacing the Manager and advise the client of options available in light of the circumstances.

The IAR and client will compile pertinent financial and demographic information to develop an investment strategy based on the client's needs, investment objectives, investment time horizon, risk tolerance and any other pertinent factors. The IAR will then make recommendations regarding which Manager(s) on the Account Command Platform fit with the client's strategy. IAR will also work directly with clients to ensure that the Manager(s) selected continue to meet their investment goals. In the event there are material changes requiring the change of Manager the IAR will make recommendations as to which Manager(s) the Program offers to meet their needs.

1. Cantella does not calculate portfolio manager performance.
  2. As described above Cantella utilizes the due diligence provided by LA. Since LA has discretion to add or remove Managers from the program Cantella feels that the information provided does not require any additional verification regarding accuracy or compliance with presentation standards. This information is reviewed minimally annually. There may be certain situation where Cantella approves a Manager(s) for the Program that is not being monitored by LA. In such cases Cantella will perform an initial due diligence review that will include analysis of historical performance, organizational structure, business structure, ADVII and an initial questionnaire. If approved, Cantella will then monitor the manager on an annual basis. This review will incorporate a review of the same items reviewed during the initial due diligence review, as well as the completion of an annual questionnaire.
- B. Currently Cantella does not have a related person that acts as portfolio manager in the Program. In the event Cantella decides to allow such activity the Manager would be held to the same standard as any of the Manager(s) currently not monitored by LA.
- C. Currently Cantella does not have a supervised person that acts as a portfolio manager in the Program. In the event Cantella decides to allow such activity the Manager would be held to the same standard as any of the Manager(s) currently not monitored by LA. Additionally allowing supervised persons to act as portfolio manager would require additional disclosures to ADV Part 2A Items 4.B, 4.C, 4.D (Advisory Business), 6 (Performance-Based Fees and Side-By-Side Management), 8.A (Methods of Analysis, Investment Strategies and Risk of Loss) and 17 (Voting Client Securities).

### **Item 7: Client Information Provided to Portfolio Managers**

Managers in the Program will have access to a profile for each client they manage. The information they have access to will include client name(s), client address, social security number, date of birth, annual household income, net worth, investment time horizon, and if the client or manager chooses to act on proxies. Each Manager has a unique secure username and password. It is the IAR responsibility to update the client profile as needed.

### **Item 8: Client Contact with Portfolio Managers**

All client contact and communications regarding participation in the Program will occur through the IAR. Cantella will promptly advise the Manager(s) of any changes to client's investment objectives and financial situation. Cantella may ask Manager(s) to attend meetings with Cantella and clients, however, Managers are under no obligation to attend such meetings.

### **Item 9: Additional Information**

1. Disciplinary Information and Other Financial Industry Activities and Affiliations:
  - A. Disciplinary Information: Please refer to Item 9, page 15 of the Firm Brochure.
  - B. Other Financial Industry Activities and Affiliations: Please refer to Item 10, page 16 of the Firm Brochure.
2. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading; Review of Accounts; Client Referrals and Other Compensation; and Financial Information.
  - A. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading: Please refer to Item 11, page 16 of the Firm Brochure.
  - B. Review of Accounts: Please refer to Item 13, page 18 of the Firm Brochure.
  - C. Client Referrals and Other Compensation: Please refer to Item 14, page 18 of the Firm Brochure.
  - D. Financial Information: Please refer to Item 18, page 19 of the Firm Brochure.

## **Appendix 2 - Managed Account Solutions Wrap Fee Program Brochure**

101 Federal Street 13<sup>th</sup> Floor ~ Boston, MA 02110 ~ (800) 333-3502 ~ [www.cantella.com](http://www.cantella.com)

Cantella & Co., Inc (“Cantella”) is a nationally registered broker/dealer and SEC Registered RIA located in the Financial District in Boston. We are service professionals helping financial professionals provide for client financial needs which may include financial planning, retirement planning, children’s education planning, investment management, and managing taxes efficiently. Our experienced financial advisors utilize a vast array of wealth management tools to help individuals, families, and business owners develop investment portfolios and strategies to meet their financial goals and objectives.

This brochure provides information about the qualifications and business practices of Cantella. If you have any questions about the contents of this brochure, please contact Cantella at (800) 333-3502 or by email via [compliance@cantella.com](mailto:compliance@cantella.com).

The information in this brochure has not been approved or verified by the United States Securities Exchange Commission or by any state securities authority.

Being registered does not imply a certain level of skill or training.

Additional information about Cantella also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

On July 28, 2010, the United States Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that Cantella or its Investment Advisor Representatives (“IAR”) provide to clients as required by the SEC Rules. This Wrap Fee Program Brochure dated March 31, 2011, replaces what was previously the Managed Account Command Schedule H and created according to the SEC’s new requirements and rules. The creation of this document constitutes a material change in structure. In addition the SEC has asked Registered Investment Advisors to include additional information previously not required. These are the only material changes from Cantella’s previously filed brochure.

Future versions of the Wrap Fee Program Brochure will disclose only material changes made to the document and be provided to clients with a summary of those changes.

In the past the SEC requirement was to offer the Wrap Fee Program Brochure annually to clients or prospective clients. New rules require Cantella to deliver to clients a summary of material changes on an annual basis within 120 days of the close of our business’ fiscal year. However, if there is a material change Cantella may send the summary more frequently.

The previous update to this brochure was in April 2010.

## **Item 3: Table of Contents**

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## **Item 4: Services, Fees and Compensation**

- E. Cantella provides investment management and investment advisory services and through a partnership with Envestnet Asset Management (“Envestnet”) and their contracted independent investment advisors through the Managed Account Solutions Program (“MAS”). MAS is only available through National Financial Services (“NFS”).

Cantella provides its clients with an extensive range of investment advisory services through MAS as well as individually managed accounts where Cantella has enlisted third parties, including Envestnet, to offer various investment management products and services. Envestnet and Cantella are not affiliated other than through jointly providing services to the Program. These services include:

- Assessment of the client’s investment needs and objectives;
- Development of an asset allocation strategy designed to meet the client’s objectives;
- Recommendations on suitable style allocations;
- Identification of appropriate Managers and investment vehicles suitable given the client’s goals;
- Evaluation of asset Managers and investment vehicles meeting style and allocation criteria;
- Engagement of selected asset Managers and investment vehicles on behalf of the client;
- Ongoing monitoring of individual Manager’s performance and management;
- Review of client accounts to ensure adherence to policy guidelines and asset allocation;
- Recommendations for account rebalancing, if necessary;
- Online and paper reporting of client account(s) performance and progress; and
- Fully integrated back office support systems to IARs, including custody, trade execution, and confirmation and statement generation, through NFS.

Cantella will provide client, by and through an IAR, upon acceptance of client’s account, some or all of the above referenced investment advisory services. Cantella does not require client to utilize all services.

Fees charged by the IAR are negotiable and assessed on an individual basis according to different methods disclosed to and agreed upon in advance with the client via the Statement of Investment Selection (hereinafter referred to as “Agreement”). The fees charged take into account the complexity of the work performed, time involved, degree of responsibility of the IAR, special needs and characteristics of the client, types of investments, etc.

Separately Managed Accounts (“SMA”): Depending on the client’s needs, objectives, risk tolerance and time horizon a SMA may be recommended by the client’s IAR. SMA’s are accounts whereby the IAR and client select a portfolio Manager to provide portfolio management services. The Managers participating in the SMA Program charge a range of fees depending on the types of investments the Manager utilizes to construct client portfolios. The fees charged by Managers are in addition to fees charged by the IAR and generally fall within the following categories:

- Equity disciplines: 40 to 50 basis points
- Fixed income disciplines: 35 to 40 basis points
- International disciplines: 50+ basis points

Strategic Advisers Mutual Fund Portfolio Program (“SAMFP”): Depending on the client’s needs, objectives, risk tolerance and time horizon, the use of SAMFP may be recommended. The SAMFP fee is in addition to the IAR fee. The fee schedule for SAMFP is as follows:

Billable Assets	SAMFP Fee
• First 250K:	40 basis points
• Next 250K:	40 basis points
• Next 500K:	35 basis points
• Next 1M:	31 basis points
• Next 3M:	28 basis points
• Over 5M:	26 basis points

- F. As the IAR is recommending a Program in which they receive compensation, it is possible that the amount of compensation may be more than if the Client participated in other Programs or paid separately for investment advice, brokerage, and other services.
- G. The wrap fee will consist of all advisory fees, Program fees, and transaction charges. There are certain fees that are not part of the wrap fee which may include but not limited to IRA custodial fees, safekeeping fees, interest charges on margin loans, wire fees, and fees for legal or courtesy transfers of securities. If an account holds any mutual funds the client will also incur the funds internal expenses. These expenses are part of the net asset value or price of the mutual fund owned. To view a funds internal expenses, clients should review its prospectus.
- H. Clients of the Program will compensate the IAR for investment advisory services on an annual basis at the rate set forth in the Agreement. The fee will be payable quarterly in advance for all Account Command Programs. The amount of this compensation may be more than what the IAR would receive if the client participated in Cantella's other Programs, or paid separately for investment advice, brokerage, and other services. The IAR may have a financial incentive to recommend the wrap fee Program over other Programs and services. A portion of the annual IAR fee charged by the IAR is paid to Cantella for administration of the account.

### **Item 5: Account Requirements and Types of Clients**

Clients participating in the Programs are required to grant full discretion in investment authority to their IAR and Manager to invest, reinvest, sell, exchange, allocate and reallocate assets, and otherwise deal with Program assets in their discretion.

Clients participating in the Programs are required to authorize Cantella and Envestnet to designate NFS to provide trade execution, trade clearing, and custodial services with respect to Program assets.

The minimum account size to participate in the SMA Program is generally \$100,000. The minimum account size is subject to increase or decrease at the sponsor's discretion based upon the circumstances of each client, as well as the requirements of the Manager.

There are a number of ways a client can fund their account(s) in the Program. However, certain offerings within the Programs may enforce restrictions on what investments can be used to fund an account. Each of the Programs will accept cash. Once cash or securities are deposited into the client account the Manager will have discretion over the client assets.

IARs will work with clients in reviewing their current holdings to determine which Program or Manager is most suitable to meet not only their investment objectives, time horizon and risk tolerance but also what course to take with the current holdings.

Cantella generally provides advisory services to the following types of clients: Individuals, Pension and Profit Sharing Plans, Trusts, Estates, Charitable Organizations, and Corporations or Business entities other than those previously listed.

### **Item 6: Portfolio Manager Selection and Evaluation**

- B. Cantella primarily utilizes information gathered by Envestnet through their initial and ongoing research and due diligence process. Cantella offers Managers from Envestnet's "Approved" list. In order to list a Manager as "Approved," Envestnet employs a rigorous multi-phase approach to researching and selecting Managers suitable for participation in its investment Programs. "Approved" Managers are evaluated using data and information from several sources, including the Manager and independent databases. Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed is the Manager's Form ADV 2, as well as portfolio holdings reports that help demonstrate the Manager's securities selection process. To ensure accuracy, Envestnet attempts to verify all information by comparing it to publicly available sources.

The investment professionals at the investment management firms are a primary source of information to Envestnet, providing quantitative and qualitative information.

Cantella recommends Managers to clients with a variety of investment strategies. Some strategies may be high-risk strategies. Such strategies usually have the potential for substantial returns; however, there are correspondingly significant risks involved in these strategies. Such strategies are not intended for all investors. Clients who choose to follow high-risk strategies should be aware that there is the possibility of significant losses up to and including the possibility of the loss of all assets placed in the strategies. Cantella recommends that clients diversify their investments and do not place all of their investments in high-risk investment strategies.

Envestnet may terminate the contractual relationship with a Manager. As a result Cantella will remove the Manager from client portfolios and cease to offer the Manager to new clients. This will typically occur with Managers who have encountered material regulatory or compliance related problems. Additionally this may occur if the Manager underperforms significantly for long periods of time.

1. Cantella does not calculate portfolio Manager performance.
2. Before offering services provided by independent Managers to clients, Cantella reviews Envestnet's evaluations of these Managers and may request additional information from Envestnet or the Managers to evaluate the competence and experience of Manager before offering their services to clients. At least annually, Cantella will review any updates to this information to determine if the Manager is still suitable for Cantella clients.

Additionally, Envestnet provides alerts to Cantella through an automated system based on quantitative information for Managers that report to a third-party investment database, which Cantella uses in its assessment of Managers who exhibit persistent under performance and inattention to style mandate that will directly impact the performance of the Manager ("Watch List of Managers"). Cantella will monitor the Watch List of Managers, and will identify any situation which may warrant Cantella to cease offering the Manager's services to new clients, and recommend a replacement Manager(s) to existing clients. In these situations, Cantella will review each client situation based upon tax implications and other considerations involved in replacing the Manager and advise the client of options available in light of the circumstances.

- D. Currently Cantella does not have a related person that acts as portfolio Manager in the Program. In the event Cantella decides to allow such activity the Manager would be held to the same standard as any of the Manager(s) currently not monitored by Envestnet.
- E. Currently Cantella does not have a supervised person that acts as a portfolio Manager in the Program. In the event Cantella decides to allow such activity the Manager would be held to the same standard as any of the Manager(s) currently not monitored by Envestnet. Additionally allowing supervised persons to act as portfolio Manager would require additional disclosures to ADV Part 2A Items 4.B, 4.C, 4.D (Advisory Business), 6 (Performance-Based Fees and Side-By-Side Management), 8.A (Methods of Analysis, Investment Strategies and Risk of Loss) and 17 (Voting Client Securities).

Cantella does allow IARs to manage their own client portfolios through the Program. Please refer to ADV 2 Firm Brochure regarding any questions pertaining to fees, strategies, voting securities, etc.

## **Item 7: Client Information Provided to Portfolio Managers**

Cantella and client compile pertinent financial and demographic information to develop an investment strategy that will seek to meet the client's goals and objectives. Client's information is electronically forwarded to Envestnet and a proposal is generated for review by Cantella. Cantella will analyze the proposal and recommend an appropriate strategy based on the client's needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. Envestnet's proposal generation software uses a number of proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical risk ratings for various asset classes, correlation across asset classes and risk premiums. The information they have access to will include client name(s), client address, social security number, date of birth, annual household income, net worth, and investment time horizon. It is the IAR responsibility to update the client profile as needed.

## **Item 8: Client Contact with Portfolio Managers**

All client contact and communications regarding participation in the Program will occur through the IAR. Cantella will promptly advise the Manager(s) of any changes to client's investment objectives and financial situation. All Clients have the opportunity to impose reasonable restrictions on the securities purchased or the way their account is managed. For accounts managed by the client's IAR there is more flexibility with respect to restrictions versus the other options in the Program. IARs will work with clients to determine if there are any restrictions and if so the investment vehicle within the Program that will meet the client's needs the best. Restrictions may be imposed in order to gain a tax advantage or for some other personal objective. Any restrictions may adversely affect the risk-reward level of a portfolio. We will honor the restrictions absent extraordinary circumstances. Clients who impose restrictions with respect to certain assets in a managed account may cause a portion of the portfolio to be placed outside the Manager's discretion, expertise and judgment as to the wisdom of purchasing, holding or selling particular securities. The decision by a client to retain certain assets may have an adverse impact on the amount of risk assumed by the client and may hinder the investment Manager's ability to manage the portfolio properly according to the stated objectives of the client.

## **Item 9: Additional Information**

3. Disciplinary Information and Other Financial Industry Activities and Affiliations:
  - A. Disciplinary Information: Please refer to Item 9, page 15 of the Firm Brochure.
  - B. Other Financial Industry Activities and Affiliations: Please refer to Item 10, page 16 of the Firm Brochure.
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  - B. Review of Accounts: Please refer to Item 13, page 18 of the Firm Brochure.
  - C. Client Referrals and Other Compensation: Please refer to Item 14, page 18 of the Firm Brochure.
  - D. Financial Information: Please refer to Item 18, page 19 of the Firm Brochure.