



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

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Cantella & Co., Inc. ("Cantella") is a nationally registered broker-dealer and SEC registered investment adviser located in Malden Massachusetts. 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 and 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**

Cantella & Co., Inc. (“Cantella”) believes that communication and transparency are the foundation of its relationship with clients. We strive to provide complete and accurate information to clients at all times. Cantella encourages all clients to read the full ADV Part 2A- Firm Brochure (the “Brochure”) and discuss any questions with your financial advisor or you may contact Cantella directly. Of course, we welcome your feedback.

### Summary of Material Changes

Cantella has updated Item 18 to reflect the firm’s participation in the Paycheck Protection Program (“PPP”) Loan program.

Cantella made changes to Item 5.A Fees and Compensation section below to reflect changes in fee schedules.

At any time, you may view Cantella’s current Brochure online at the SEC’s Investment Adviser Public Disclosure website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) by searching with our firm name or our CRD number (13905). You may also request a copy from your financial advisor, by contacting us at (800) 333-3502, or by emailing us at [compliance@cantella.com](mailto:compliance@cantella.com) or by visiting [www.cantella.com](http://www.cantella.com).

Securities and Advisory Services offered through Cantella & Co., Inc. Member FINRA/SIPC. Cantella is a federally registered investment advisor with the Securities and Exchange Commission.

**Item 2: Material Changes**

Please see Summary of Material Changes located in Item 1, page 2.

**Item 3: Table of Contents**

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

##### **A. Description of Advisory Services.**

Cantella was founded in 1952 by Vincent Cantella. Initially a broker dealer, the firm launched its advisory business as a Registered Investment Advisor (“RIA”) under the same name in 1996. A privately held company, Cantella’s largest stockholder is Cantella Management Corporation. Today, Cantella is a federally registered investment adviser and a registered broker dealer. In these registered capacities, it holds several licenses and registrations with the United States Securities and Exchange Commission (SEC), state regulatory agencies, the Financial Industry Regulatory Administration (FINRA), and other regulatory bodies. Please note that none of these registrations implies any level of skill or training.

##### **B. Types of Advisory Services**

Cantella’s business is to work with individuals and companies providing advisory services to clients by and through financial advisors. These services consist principally of asset management and financial planning. It is important to note that none of the advisory services described herein are intended as, or meant to be a substitute for, legal, accounting, actuarial, or tax advice. Clients should coordinate and discuss the impact of the financial advice they receive from a Cantella financial advisor with their attorney, accountant, and other professionals. Neither Cantella nor its financial advisors provide legal or accounting advice through the firm, even if they are qualified to do so.

##### **Financial Planning**

Cantella financial advisors can offer a number of options to clients with respect to financial planning:

- Comprehensive Financial Planning: A review of income (payroll, income, dividends), debt (mortgage, credit cards, loans), personal expenditures, tax returns, insurance policies, retirement and pension statements, trust documents, other savings or investment statements and any other pertinent data, in order to give the client a holistic picture of his/her financial life. The plan will take into account the client’s current lifestyle, future allocations and can include ‘what-if’ scenarios.
- Situation Specific Financial Planning: The financial advisor will collect pertinent data, including data supplied by the client, conduct personal interviews with the client, prepare analyses of the financial data collected, and present a written financial plan to the client opining how to achieve the specific financial goal(s).

Financial planning is a separate service from Cantella’s investment management services. Clients have autonomy 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.

##### **Investment Management Services**

Cantella financial advisors can offer a number of options to clients with respect to investment management. Clients can hire Cantella financial advisors to manage their assets. In this relationship, the financial advisor will manage client assets in accordance with their individual

risk tolerance, investment objective, and time horizon and investment experience. Financial advisors can manage these client assets through discretionary or non-discretionary trading. The specific advisory program selected by the client will cost the client more or less than purchasing program services separately. Factors that bear upon the cost of a particular advisory program in relation to the cost of the same services purchased separately include, but may not be limited to, the type and size of the account, the historical or expected size or number of trades for the account, the types of securities and strategies involved, and the number and range of supplementary advisory and client-related services provided to the account.

#### Discretionary Asset Management

Cantella manages investment advisory accounts on a discretionary basis according to methodology described in Item 8 –Methods of Analysis, Investment Strategies, and Risk of Loss. Cantella will provide asset management services to the client guided by the client’s investment objectives and suitability considerations such as net worth, risk tolerance and time horizon. If a client chooses to participate in discretionary asset management, the client will grant Cantella discretionary authority to manage the client’s account without having to speak with the client each time they feel a transaction should be made. This discretion does not allow the financial advisor to withdraw funds from the client account. It does, however, include which securities to buy and sell, when to buy and sell securities and in what amounts, without obtaining the client’s prior consent or approval. The client is permitted to limit Cantella’s discretionary authority by providing Cantella with restrictions and guidelines in writing.

#### Non-Discretionary Asset Management

Cantella manages client assets on a non-discretionary basis. When advising a client on a non-discretionary basis, Cantella can only trade in the client’s account subsequent to direct dialogue with the client. Clients who choose to engage Cantella on a non-discretionary basis must be willing to accept that Cantella cannot execute any account transactions without obtaining prior consent to any such transaction(s). Thus, in the event that Cantella would like to make a transaction for a client’s account, and the client is unavailable, Cantella will be unable to execute the account transaction (as it would for its discretionary clients) without first obtaining the client’s consent.

#### Retirement Plan Services

Retirement plan services are either fiduciary or non-fiduciary. Non-fiduciary services may be performed only so that they would not be considered fiduciary services under the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or applicable state laws, rules or regulations.

Fiduciary services are provided by Cantella as a fiduciary under ERISA Section 3(21) (A) (ii) or comparable state law. Cantella will act in good faith and with the degree of diligence, care and skill that a prudent person rendering similar services would exercise under similar circumstances. Qualified Plan Sponsors (“The Sponsor”) may engage Cantella to perform the retirement plan services by providing information about the plan, including plan design, plan objectives, investment objectives, investment risk tolerance, demographics about the plan participants, and third – party service providers, and by executing a Retirement Plan Consulting Agreement. The financial advisor will provide the sponsor a copy of this Form ADV Part 2A or a comparable brochure and the Agreement for review. The Agreement describes the terms of the arrangement between the financial advisor and the sponsor, including a description of the retirement plan services and the fees to be charged. By signing the Agreement, the sponsor represents that the

sponsor has received sufficient information and determined that the retirement services selected are: (i) necessary for the operation of the plan and (ii) reasonable and appropriate based upon the compensation to be paid for the services. The sponsor must sign and submit the Agreement to Cantella before the financial advisor performs any retirement plan services. A description of the retirement plan services is as follows:

- Fiduciary Services - plan sponsor services. The following is a list of fiduciary services provided to sponsors of ERISA-qualified retirement plans.

Preparation and delivery of Investment Policy Statement (“IPS”): The financial advisor will review with the sponsor the investment objectives, risk tolerance and goals of the plan. The financial advisor will prepare and deliver an IPS to the sponsor that aligns with the objectives and goals previously identified by the sponsor.

Selection and monitoring of Designated Investment Alternatives (“DIAs”): Once the IPS is approved by the sponsor, the financial advisor will review the investment options available to the plan and will select the plan’s DIAs to be offered to plan participants that meet the criteria set forth in the IPS. On a periodic basis, the financial advisor will monitor and evaluate the DIAs and replace any DIA(s) that no longer meet the IPS criteria.

Creation and Maintenance of Model Asset Allocation Portfolios (“Model Portfolios”): The financial advisor will select certain DIAs to create a series of risk-based model portfolios. The financial advisor will apply generally accepted investment theories so that the model portfolios are designed with the objective to be reasonably diversified to minimize the risk of large losses and designed to provide varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposures to meet each of the risk-based categories. The financial advisor will diversify, reallocate and rebalance the model portfolios and associated risk levels over time in accordance with generally accepted investment theories and consistent with the plan’s IPS. The financial advisor may make changes to the underlying investments and/or the asset allocations percentages of the model portfolios and will communicate any instructions directly to the record-keeper or custodian. The financial advisor will, on a periodic basis and/or upon reasonable request, provide reports to the sponsor.

Selection and Monitoring of Qualified Default Investment Alternative(s) (“QDIA”): Based on the plan’s IPS or other guidelines established by the plan, the financial advisor will review the investment options available to the plan and will select the plan’s QDIA(s) for plan participants that are automatically enrolled in the plan and/or who fail to direct the investment of their individual accounts. On a periodic basis, the financial advisor will monitor and evaluate the QDIA(s) and replace any QDIA(s) that no longer meet the IPS criteria.

If the plan elects to utilize the model portfolios as QDIAs, the financial advisor will instruct the plan’s Recordkeeper to invest the defaulted participant’s accounts into one or more model portfolios based upon their age, target retirement date and/or other information available to the financial advisor. Depending upon the capabilities of the

Recordkeeper, the financial advisor may instruct it to automatically move these participants into a more conservative model portfolio at then-year intervals. If the Recordkeeper cannot accommodate such standing instructions, then all plan participants who fail to direct their QDIA(s) will be invested in a moderate model portfolio.

- Non-Fiduciary Services - Plan Sponsor Services. The following is a list of non-fiduciary services provided to sponsors of ERISA-qualified retirement plans.

Advice Regarding Establishing or Revising an Investment Policy Statement (“IPS”):

The financial advisor will review with the sponsor the investment objectives, risk tolerance and goals of the plan. If the plan does not have an IPS, the financial advisor will provide recommendations to the sponsor to assist in establishing an IPS. If the plan has an existing IPS, the financial advisor will review it for consistency with the plan’s objectives. If the IPS does not represent the objectives of the plan, the financial advisor will recommend to the sponsor revisions that will establish investment policies that are congruent with the plan’s objectives.

Advice Regarding Selecting and Monitoring Designated Investment Alternatives

(“DIAs”): Based on the plan’s IPS, the financial advisor will review the investment options available to the plan and will make recommendations to assist the sponsor in selecting DIAs to be offered to plan participants. Once the sponsor selects the DIAs, the financial advisor will, on a periodic basis and/or upon reasonable request, provide reports and information to assist the sponsor in monitoring the DIAs. If the IPS criteria require and DIA(s) to be replaced, the financial advisor provide recommendations to assist the sponsor in replacing the DIA(s).

Advice Regarding Allocation and Rebalancing of Model Asset Allocation Portfolios

(“Model Portfolios”): Based on the plan’s IPS or other investment guidelines established by the plan, the financial advisor will review the investment options available to the plan and will make recommendations to assist the sponsor to create and maintain model portfolios. Once the sponsor approves the model portfolios the financial advisor will provide reports, information and recommendations, on a periodic basis, designed to assist the sponsor to monitor the plan’s investments. If the IPS criteria require any DIA(s) to be removed, the financial advisor will provide recommendations to assist the sponsor to evaluate replacement DIA(s) to be included in the model portfolio. Upon reasonable request, the financial advisor will make recommendations to the sponsor to rebalance the model portfolios to maintain their desired allocations.

Advice Regarding Selecting and Monitoring Qualified Default Investment

Alternative(s) (“QDIA”): Based on the plan’s IPS or other guidelines established by the plan, the financial advisor will review the investment options available to the plan and will make recommendations to assist the sponsor in selecting the plan’s QDIA(s) for plan participants that are automatically enrolled in the plan and/or who fail to direct the investment of their individual accounts. Once the sponsor selects the plan’s QDIA(s), the financial advisor will provide reports and information, on a periodic basis and/or upon reasonable request, to assist the sponsor in monitoring the QDIA(s).

If the IPS criteria require a QDIA to be replaced, the financial advisor will provide recommendations to assist the sponsor in evaluating the QDIA(s).

Advice Regarding Selecting and Monitoring of Investment Managers (Not Available for Solicitors): Based on the plan's IPS or other guidelines established by the plan, the financial advisor will review the potential investment managers available to the plan and will make recommendations to assist the sponsor to select one or more investment managers. Once the sponsor approves the investment manager, the financial advisor will provide, on a periodic basis, reports, information and recommendations to assist the sponsor to monitor the plan's investment managers. If the IPS criteria require an investment manager to be removed, the financial advisor will provide information and analysis to assist the sponsor to evaluate replacement of investment manager(s).

- Non-Fiduciary Services - Participant Services. The following is a list of non-fiduciary services provided to participants in ERISA-qualified retirement plans.

Assistance with Plan Governance and Committee Education:

- Determining plan objectives and options available through the plan
- Reviewing retirement plan committee structure and requirements
- Reviewing participant education and communication strategy, including ERISA Rule 404(c) requirements
- Coordinating and reconciling participant disclosures under ERISA Rule 404(a)
- Developing requirements for responding to participant requests for additional information
- Developing and maintaining a fiduciary audit file; and attending periodic meetings with the plan committee.

Assistance with Plan Fiduciaries' Vendor Management (Service Provider Selection/Review):

- Reviewing fees and services and identifying procedures to track the receipt and evaluation of ERISA Rule 408(b) (2) disclosures
- Providing periodic benchmarking of fees and services to assist in the plan sponsor's review for reasonableness
- Reviewing ERISA spending accounts or plan expense recapture accounts ("PERAs")
- Generating and evaluating service provider requests for proposals ("RFPs") and/or requests for information ("RFIs")
- Support with contract negotiations
- Service provider transition and/or plan conversion.

Investment Education for Plan Fiduciaries:

- Drafting assistance for investment policy statements;
- Assessment of overall investment structure of the plan (i.e., types and number of asset classes, model portfolios, etc.)
- Review of the plan's investment options; review of qualified designated investment alternatives ("QDIA")



- Assistance in review of investment managers.

#### Employee Investment Education and Communication:

- Providing group enrollment and investment education meetings
- Providing fee specific education and communicate the plan's requirements for requesting additional information about plan fees and expenses
- Supporting individual participant questions
- Providing periodic updates, upon request or newsletter
- Assisting participants with retirement readiness.

Additional Retirement Services: In addition to retirement plan services provided to a plan or its participants, Cantella and its financial advisor may establish a client relationship with one or more plan participants or beneficiaries. Such client relationships develop in various ways, including, without limitation: 1) as a result of a decision by the participant or beneficiary to purchase services through the financial advisor not involving the use of plan assets; 2) as part of an individual or family financial plan for which any specific recommendations concerning the allocation of assets or investment recommendations relate exclusively to assets held outside of the plan; or 3) through an Individual Retirement Account rollover ("IRA Rollover"). Financial advisors will not, however, solicit services from plan participants or beneficiaries when providing retirement plan services. If the financial advisor is providing retirement plan services to a plan, the financial advisor may, when requested by a plan participant or beneficiary, arrange to provide services to that participant or beneficiary through a separate agreement that excludes any investment advice on plan assets (but may consider the participant's or beneficiary's interest in the plan in providing that service). If a plan participant or beneficiary desires to affect an IRA rollover, a financial advisor may provide the participant or beneficiary with a written explanation of the options available to the plan participant or beneficiary. Any decision to affect the rollover or about what to do with the rollover assets, remains that of the participant or beneficiary alone.

#### Sub-Advisory/Consultant Arrangements

Cantella can enter into consultant or sub-advisory relationships in which it contracts with another third party registered investment advisor or strategist to provide research, advice, and guidance or investment management services in regard to assets it is managing for clients. Such arrangements might range from the other party providing research ideas that Cantella may or may not implement, to a sub-advisor having full discretion over a Cantella client's assets. Cantella's sub-advisory relationships are conducted under wrap fee programs, where the client pays one asset-based fee for all trading and execution costs in excess of the advisor's investment management asset-based fee. Please refer to Item 4, Section D below and Cantella's Appendix 1 – Wrap Fee Supplement to this Brochure for a description of its wrap fee sub advisory account platforms.

#### Third-Party Asset Management Program (TAMP) Services

Cantella provides access to asset management programs offered by third party investment advisors ("TAMP") with which Cantella has entered an agreement to make their services available. When acting as a solicitor for the TAMP, neither Cantella nor any financial advisor provides asset management services in relation to the TAMP Program. Instead, the financial advisor will assist the client in selecting one or more TAMP programs believed to be suitable based on the stated financial situation, investment objectives, and financial goals. When acting as a co-advisor with the TAMP, both Cantella and the TAMP maintain the authority

to manage client assets though the assets will typically be maintained at the TAMP's chosen custodian.

TAMP services generally begin with the financial advisor obtaining the necessary financial data from the client to assist with setting an appropriate investment objective, determining the suitability of the program and in opening an account with the TAMP sponsor. Depending on the particular program, the financial advisor may also assist the client with selecting a model portfolio of securities designed and managed by either the TAMP sponsor or a selected portfolio management firm available through the TAMP sponsor responsible for providing discretionary asset management services. The TAMP sponsor or other third-party investment advisor is granted authority in its client agreement to purchase and sell securities on a discretionary or non-discretionary basis pursuant to investment objective chosen by the client. In doing so, the TAMP sponsor or other third party investment advisors typically construct various model investment portfolios that are managed according to specific investment strategies associated with the respective models, and that are not generally customized for individual clients (subject to the client's ability to request reasonable investment restrictions on investing in securities or other special accommodations that may be made). In addition to portfolio management services, the TAMP sponsor will also generally arrange for custody of client assets, trade execution, cashiering services, and such other services as outlined in their separate client agreement and brochure. In limited cases involving certain retirement plans, Cantella and the financial advisor may undertake to provide plan-level investment advisory and education services under a consulting arrangement specifying such additional services.

Since the TAMP services provided by each TAMP sponsor or other third party investment advisor in the TAMP program are unique, clients should request and carefully review the applicable brochure, client agreement and other account paperwork for each TAMP for more detailed information about the services provided, including without limitation, a description of the TAMP sponsor's background, investment strategies, fees, custody arrangements, potential conflicts of interest, and other relevant information regarding the TAMP sponsor's services and business practices. Clients will be provided with documentation about the TAMP relationship, including the TAMP's Form ADV Part 2A brochure and Cantella's solicitor disclosure, if applicable at the time of the referral to the TAMP. Clients may request a copy of their brochure from the financial advisor or by visiting [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Clients may also request the advisor's Form ADV 2B Supplemental Brochure from their financial advisor for detailed information about the management personnel responsible for managing client investment portfolios.

#### Client Role and Obligations Relative to Cantella's Advisory Services

Cantella relies on forthright communication from its clients in order to provide them with investment advice. It is imperative that clients be direct and honest about their investment criteria, investment knowledge, holdings, goals, time horizon and other important factors. Clients are obliged to report changes in their financial situation, including the factors enumerated above as soon as possible.

#### Custodian Selection

Cantella maintains account custodial arrangements with Pershing LLC ("Pershing"), Pershing Advisor Solutions ("PAS"), National Financial Services ("NFS"), and Raymond James Financial Services ("Raymond James"). A number of factors are taken into consideration with respect to where a client account is established. These considerations may include, but are not limited to

the client or financial advisor's experience with a particular firm, services available through the firm, and programs available through the firm. Please refer to Items 12 and 14 for more information about the conflicts of interest and other important considerations relative to these custodial arrangements.

#### Account-based Asset Threshold

Certain investment programs or account types require minimum asset levels. Cantella Classic Gold, Classic Platinum, Opportunity Accounts, and Qualified Retirement Plan Accounts generally require a \$25,000 minimum account size which can be waived at the discretion of the company. We do have a no minimum Retirement Plan Account option available. Ambassador Accounts generally require a \$50,000 minimum account size. These account size minimums are also subject to change at the firm's discretion.

#### C. Tailored Relationships

Cantella makes available, through its financial advisors, advisory services to meet most individual client needs and objectives. It is the role of the financial advisor 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 financial advisor from providing investment choices to meet a client's needs. In the event a restriction does impair the financial advisor's ability to manage a portfolio effectively the client agreement may be terminated under the terms of the contract.

#### D. Wrap Fee Programs

Cantella offers a number of wrap fee programs to clients. Each financial advisor manages his/her 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 generally pays an asset-based fee to cover both advisory services and any transaction costs. In a non-wrap account, the client will pay an advisor fee plus trading and execution costs for the individual transactions in the client account(s). Please refer to Appendix 1 to this Brochure for more information about Cantella's wrap fee programs.

E. Cantella manages client accounts on a discretionary or non-discretionary basis. The following table sets forth the firm's discretionary and non-discretionary assets under management as of the date illustrated.

<b>DISCRETIONARY</b>	<b>NON-DISCRETIONARY</b>	<b>DATE CALCULATED</b>
\$ 840,528,144	\$855,143,631	3/31/2019

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

As described in Item 4, Cantella offers a number of advisory services to meet client needs and objectives. Cantella's compensation for these services takes the form of an asset-based fee, hourly charges, or fixed fees.

#### A. Asset-based Fees and Compensation

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.

Asset-based fees can vary and are generally negotiable depending upon variables such as the specific nature of services rendered, the complexity of a client's investment management needs, and/or the value of a client's assets under management. 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.

The maximum fee that can be charged to the client is detailed below.

The specific manner in which fees are charged by Cantella is established in a client's written agreement with Cantella. Cantella will generally bill its fees quarterly or monthly. Fees will be deducted from the client's account by the client granting Cantella or the custodian authorization to directly debit fees from the accounts. Accounts initiated or terminated will be charged a prorated fee. Management fees shall also be prorated for each capital contribution and withdrawal made during the applicable billing cycle, with the exception of de minimis contributions and withdrawals. Cantella's fees are exclusive of brokerage commissions, transaction fees, markups, markdowns, and other related costs and expenses which shall be incurred by the client. Clients will incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a prospectus. Such charges, fees and commissions are exclusive of and in addition to Cantella's fees.

At its discretion, Cantella can consider a client's request for an alternative fee arrangement. In addition, Cantella reserves the right to change its fee schedule for all clients or selected clients for any reason. Cantella or the client may terminate their advisory agreement upon thirty (30) days written notice. When the contract is terminated, fees will be billed on a pro rata basis calculated from the beginning of the billing cycle that the contract is terminated. Upon termination, any prepaid asset-based fees will be promptly refunded to the client on a prorated basis if the relationship is terminated before the end of the billing cycle. With respect to accounts for retirement plans (as opposed to individual retirement accounts like IRAs) Cantella will refund the prorated portion of the fee for the month of termination provided that the investment advisory agreement was in effect for a minimum of 90 days. Should this agreement be terminated prior to 90 days from the date of inception the account, the fee will not be prorated. Instead the initial monthly fee will be utilized to cover set up and transaction expenses. All fees due at termination of the agreement will be deducted from the account before assets are delivered from the account. All clients may also terminate relationship within five (5) business days of executing an investment management agreement without incurring any penalty or fees.

Item 12 further describes the factors that Cantella considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g. commissions).

Some advisory programs incorporate tiered fee schedules. In each of these programs, clients will

compensate Cantella for investment advisory services on an annual basis at the rate set forth in the client's investment advisory agreement. Accounts are billed initially for the days from inception to the end of the month based on the inception value. Subsequent monthly fees will be calculated based upon the previous month's end value. No fee adjustments will be made for contributions or withdrawals of funds until adjustments are made as reflected in the next month's statement. Any adjustments made to the fee schedule need to be detailed on the Investment Advisory Client Agreement. The tiered billing schedules, and other fee considerations for these accounts are more fully described below.

- Cantella Classic Platinum

The maximum annualized Fee is 2.00%

Account Value	Annualized Advisor Fee (includes program fee assessed to your advisor)
First \$100,000	
Next \$400,000	
Next \$500,000	
Over \$1,000,000	

- Pershing Advisor Solutions

Clients will compensate Cantella for investment advisory services on an annual fee basis at the rate set forth in the Investment Advisory Client Agreement. This fee will be payable monthly in arrears based on the average daily balance of the account.

The maximum annualized fee is 2.00%

Account Asset Value	Annualized Advisor Fee
First \$100,000	
Next \$400,000	
Next \$500,000	
Next \$1,000,000	
Next \$3,000,000	
Over \$5,000,000	

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

Fee Based Relationship Value	Maximum Annualized Fee
Up to \$1,000,000	2.15%
\$1,000,000 up to \$2,000,000	1.90%
\$2,000,000 up to \$5,000,000	1.65%
\$5,000,000 up to \$10,000,000	1.40%
\$10,000,000 and up	1.15%

- Ambassador Accounts

Cantella is paid an annual fee based on the assets under management in the account at the rate set forth in the Ambassador Account Fee Agreement. This account option is available exclusively through Cantella's custodial arrangement with Raymond James. The advisory fee will be payable quarterly in advance. When the account is opened, the fee is billed for the remainder of the current billing period and is based on the initial contribution. The initial payment will become due in full on the date of inception.

Subsequent quarterly fees will be calculated based on the account value as of the last business day of the previous calendar quarter and will become due the following business day. The advisory fee includes all execution charges except: (1) certain dealer-markups and odd lot differentials, taxes, exchange fees and any other charges imposed by law with regard to any transactions in the account; and (2) offering concessions and related fees for purchases of public offerings of securities as more fully disclosed in the prospectus. Client may also incur charges for other services provided that are 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 or legal or courtesy transfers of securities.

Fee Based Relationship Value	Maximum Annualized Fee
Up to \$1,000,000	2.25%
\$1,000,000 up to \$2,000,000	2.00%
\$2,000,000 up to \$5,000,000	1.75%
\$5,000,000 up to \$10,000,000	1.50%
\$10,000,000 and up	1.25%

- Retirement Plan Accounts Program

Clients compensate Cantella for investment advisory services as determined by the fee schedule located in the Agreement.

For retirement plan accounts custodied at NFS and Pershing, Cantella's compensation is

calculated as an annual asset-based fee at the rate agreed to by Cantella and the client and set forth in the Investment Advisory Client Agreement. Cash balances will be held in a money market fund. Cantella can provide the retirement plan sponsor with list of all available money market funds. Cantella is authorized under its account agreement to deduct fees owed to the company by the client directly from the account.

For retirement plan accounts custodied at Raymond James, Cantella's compensation is calculated as an annual asset-based fee at the rate agreed to by Cantella and the client and set forth in the Investment Advisory Client Agreement. Investment advisory fees are paid quarterly in advance. When an account is opened, the fee is billed for the remainder of the current billing period based on the initial contribution to the account. Subsequent quarterly fees will be calculated based upon the account value on the last business day of the previous calendar quarter and will become due the following business day. No fee adjustments will be made because of withdrawals made by retirement plan during the period. Cash reserve balances will be included in the open-end mutual fund section for billing purposes. Cash reserve balances which exceed 20% of the account value at the time of billing will be included for fee purposes only if such balances did not exceed 20% of the account value at the end of the previous quarter. Otherwise, the balance in excess of 20% will not be included in the account value for fee purposes, making such monies exempt from Cantella's advisory fee. Cash balances will be held in one of the following accounts: Eagle Cash Trust, Eagle Municipal Money Market, Client Interest Program ("CIP") or Raymond James Bank. Cantella is authorized to deduct any fee owed to it from the account per the terms of its advisory agreement with the client. All fees paid will be reported on the account statement.

Retirement plan accounts custodied directly with a third party, such as a mutual fund company or insurance carrier shall be billed according to the billing practices of the third party as set forth in the third party's ADV Part 2A.

#### **B. Financial Planning Fees and Compensation**

For these services, the fee is typically negotiated between the financial advisor and the client and the amount of the fee is stated in the client agreement. The client typically pays the fee upon execution of the contract but may pay some or all at the time that the plan is delivered. Clients should understand that the fee client negotiates with the financial advisor may be higher than the fees charged by other investment advisors for similar services. If this is the case, the financial advisor is responsible for determining the fee to charge each client based on factors such as total amount of assets involved in the relationship and the complexity of the services. Clients should consider the level and complexity of the services to be provided when negotiating the fee with the financial advisor.

Financial planning fees may be billed at an hourly rate not to exceed \$500 or a flat fee that can be paid at one time or over several installments.

#### **C. Third Party Asset Manager Fees and Compensation**

For accounts managed by TAMPs, the asset manager serves either as a co-adviser with Cantella, or as the sole advisor to the client with Cantella serving as a solicitor to the TAMP. In either instance, clients pay an advisory fee as set out in the client agreement with the TAMP. The fee is typically negotiated among the TAMP, the financial advisor and the client. The TAMP may establish a fee schedule or set a minimum or maximum fee. The TAMP fee schedule will be set out in the TAMP's brochure. The advisory fee typically is based on the value of assets under management as valued by the custodian of the assets and will vary by program. The advisory fee

typically will be deducted from the account by the custodian and paid quarterly in arrears or in advance to the TAMP, who in turn pays Cantella its portion as the co-adviser or solicitor.

There are other fees and charges imposed by third parties that apply to investments in TAMP-managed accounts. Some of these fees and charges are described below, and should be outlined in the TAMP's brochure. The client will be charged, markups, markdowns, or other transaction charges by the broker-dealer who executes transactions in the account. There also are custodial related fees imposed by the custodian of the assets. These additional fees and charges will be set out in the TAMP's brochure and the agreements executed by the client at the time the account is opened.

A mutual fund held in a TAMP-managed account may pay an asset based sales charge or service fee (e.g., 12b-1 fee) that is paid to the custodian on the account. Cantella and financial advisors generally are not paid these fees.

If the TAMP account is invested in a wrap fee program, clients should understand that the wrap fee may cost the client more than purchasing the program services separately. Factors that bear upon the cost of the account in relation to the cost of the same services purchased separately include the:

- type and size of the account;
- types of securities in the account;
- historical and or expected size or number of trades for the account; and
- number and range of supplementary advisory and client-related services provided to the client.

The investment products and services available to be purchased in TAMP program can be purchased by clients outside of a TAMP program through Cantella or through other broker-dealers or registered investment advisers not affiliated Cantella or the TAMP.

#### D. Other Fees Paid by Client

If client assets are invested in mutual funds, ETFs or other pooled funds, there are two fees, the advisory fee and the internal expenses. The client will pay an advisory fee and pay expenses as a shareholder of the fund. The mutual funds and ETFs available in the programs often may be purchased directly. Therefore, clients will avoid the second layer of fees by not using advisory services and by making their own decisions regarding the investment.

If a client transfers a previously purchased mutual fund into an account and there is an applicable contingent deferred sales charge associated with the share class held by the client, the client will pay that charge when the mutual fund is sold. If the account is invested in a mutual fund that charges a fee where a redemption is made within a specific time period after the investment, the client will be charged the redemption fee. If a mutual fund has a frequent trading policy, the policy can limit a client's transactions in shares of the fund (e.g., for rebalancing, liquidations, deposits or tax harvesting).

UIT sponsors charge creation and development fees or similar fees which may be applied to UITs invested in through advisory accounts. These fees are not shared with Cantella. Further information regarding fees assessed by a UIT is available in the appropriate prospectus, which



clients may request from the financial advisor.

Clients should be aware that securities transferred into an account may have been subject to a commission or sales load when the security was originally purchased. After transfer into an advisory account, client should understand that an advisory fee will be charged based on the total assets in the account, including the transferred security. When transferring securities into an account, client should consider and speak to the financial advisor about whether:

- a commission was previously paid on the security;
- the client wishes for the security to be managed as part of the account and be subject to an advisory fee; or
- the client wishes to hold the security in a brokerage account that is not managed and not subject to an advisory fee.

E. Other Compensation Paid to Cantella

In most cases, multiple share classes of the same mutual fund are available for purchase. Some share classes of a fund charge higher internal expenses, whereas other share classes of a fund charge lower internal expenses. Institutional and advisory share classes typically have lower expense ratios and are less costly for a client to hold than Class A shares and other share classes that may be eligible for purchase in an advisory account. Mutual funds that offer institutional share classes, advisory share classes, and other share classes with lower expense ratios are available to investors who meet specific eligibility requirements that are described in the mutual fund's prospectus or its statement of additional information. These eligibility requirements include, but may not be limited to, investments meeting certain minimum dollar amounts and accounts that the fund considers qualified fee-based programs. It is also possible that the lowest cost mutual fund share class for a particular fund may not be offered through Cantella or available for purchase within specific types of accounts. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio or cost. Advisors may be limited in the share class available for client accounts based on limitations at the custodian or within an account program.

As a registered broker/dealer, Cantella receives compensation for clearance and execution services, as well as payment for certain balances in accounts which represents a conflict of interest. There is also a conflict of interest with respect to financial advisors receiving 12b-1 fees in addition to the investment advisory fee paid by clients. This conflict may influence financial advisors to recommend mutual funds with these fees over funds that do not. 12b-1 fees are included in a mutual fund's total annual fund operating expenses, and are deducted from the mutual fund's assets on an ongoing basis. Mutual funds offer investors different share classes, the primary difference being fee structure.

Multiple share classes of the same mutual fund are available for purchase. It is possible that the lowest cost mutual fund share class for a particular fund may not be offered through Cantella or available for purchase within specific types of accounts. Cantella financial advisors may select share classes of mutual funds that pay Cantella and the financial advisor 12b-1 fees when lower-cost institutional or advisory share classes of the same mutual fund are available. Clients should not assume that they will be invested in the share class with the lowest possible expense ratio or cost. Advisors may be limited in the share class available for client accounts based on limitations at the custodian or within an account program.

As a matter of policy, Cantella endeavors to recommend that clients not invest in 12b-1 paying mutual funds where possible and reserves the right to only offer non-12b-1 paying share classes of some mutual funds. Cantella also reserves the right to credit client accounts with any 12b-1 fees received.

Cantella urges clients to discuss with their financial advisor whether lower cost share classes are available and appropriate given their expected holding period, amount invested, trading frequency, the amount of the advisory fee charged, whether they will pay transaction charges for fund purchases and sales, whether clients will pay higher internal fund expenses in lieu of transaction charges that could adversely affect long-term performance, and relevant tax considerations. An advisor may recommend, select, or continue to hold a fund share class that charges clients higher internal expenses than other available share classes for the same fund due to limitations as discussed above.

The purchase or sale of certain funds available for investment through Cantella will result in the assessment of transaction charges to the client, the advisor, or Cantella. Although no transaction-fee (“NTF”) funds do not assess transaction charges, most NTF funds have higher internal expenses than funds that do not participate in an NTF program. These higher internal fund expenses are assessed to investors who purchase or hold NTF funds. Depending upon the frequency of trading and hold periods, NTF funds may cost the client more, or may cost Cantella or the Cantella advisor less, than mutual funds that assess transaction charges but have lower internal expenses. In addition, the higher internal expenses charged to clients who hold NTF funds will adversely affect the long-term performance of a client’s account when compared to share classes of the same fund that assess lower internal expenses.

These fees, transaction charges, and availability of various fund share classes with lower internal expenses present a conflict of interest between clients and Cantella or its advisors. Cantella or the advisor has a greater incentive to make available, recommend, or make investment decisions regarding investments that provide additional compensation to Cantella, the advisor, or cost clients more than other similarly available investments.

For those Cantella advisory programs that assess transaction charges to clients, or to Cantella, or the advisor, a conflict of interest exists because Cantella or the advisor has a financial incentive to recommend or select NTF funds that do not assess transaction charges but cost more in internal expenses than funds that do assess transaction charges but cost less in internal expenses.

In addition to reading this brochure carefully, clients are urged to inquire whether lower cost share classes are available and/or appropriate for their account in consideration of the client’s expected investment holding periods, amounts invested, and anticipated trading frequency. Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus.

With respect to accounts referred by Cantella to a third party asset manager or co-advisor, that manager or co-advisor, and not Cantella, manages the client’s assets. To the extent that the client’s assets are custodied at one of Cantella’s qualified custodians and are managed without Cantella’s influence, those assets are not subject to Cantella’s policies described herein. Rather they are subject to the third party manager’s or co-advisor’s own policies regarding share class selection, retention or crediting of 12b-1 fees, and the other considerations detailed herein.

Clients whose assets are managed by a third party money manager or co-adviser should refer to its brochure for information and important disclosures regarding their share class and fee retention practices and conflicts of interest.

Financial advisors may be provided with compensation by Cantella in excess of commissions or advisory fees. This compensation can take the form of waived fees or income provided on a forgivable or repayable basis under the terms of a promissory note. This compensation is intended to assist the individual with transitioning their accounts and client relationships to Cantella, for business development purposes or to provide income for the financial advisor during a period of time when his or her income-making capacity is impacted by the account transition process. This creates a conflict of interest inasmuch as it provides an incentive for the financial advisor to transition accounts and client relationships to Cantella.

The Cantella Tactical Advisory model and Cantella Leveraged US Opportunities Advisory model are model portfolios sponsored and maintained by Cantella. This presents a conflict of interest because Cantella, received greater compensation for assets invested in these programs as a result of its role as the model strategist. Cantella mitigates this conflict by only placing suitable client assets into the model portfolios.

Cantella has a number of financial advisors licensed to sell traditional insurance to clients. This arrangement presents a conflict of interest and gives the financial advisor an incentive to recommend investment and insurance products based on the compensation received, rather than the client's needs.

F. Return of Unearned Compensation to Clients

In the event a client terminates an advisory agreement with Cantella, any unearned fees resulting from advanced payments will be refunded to the client. Likewise, in the event Cantella bills clients in arrears for services that have already been rendered, Cantella will prorate such fees up to the termination date of the advisory agreement.

**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, high net worth individuals, pension plans/profit sharing plans, corporations, foundations/charities, and government/municipal entities.

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

- A. Financial advisors of Cantella use a variety of analysis methods, investment strategies and risk of loss when managing client assets, include those listed below.

Methods of analysis

- 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.
- Technical Analysis: Analysis of past market movements and apply that analysis to the present conditions in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.
- Cyclical Analysis: The practice of analyzing business cycles with the goal of finding advantageous times to buy or sell a security.
- Quantitative Analysis: Analysis of mathematical models in an attempt to obtain more accurate measurements of a company's value to potentially predict changes to that data.
- Qualitative Analysis: Subjective evaluation of non-quantifiable factors in an attempt to potentially predict changes to share price based on that data.
- Asset Allocation: Attempts to identify an appropriate ratio of asset classes that are consistent with the client's investment goals and risk tolerance.
- Third Party Money Manager Analysis: Evaluation of the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. Cantella may monitor the manager's underlying holdings, strategies and concentrations.
- Criteria-based Analysis: Evaluation of client-based risk profile derived from responses provided by the client on a questionnaire.

Investment Strategies: Taking into account the methods of analysis employed in a particular client circumstance, the investment strategies employed by Cantella include but are not limited to the following.

- 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 one's 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.

- Tax abatement strategies: Customized investment advisory services structuring and maintaining portfolios of financial assets, appropriate to the specific client needs and objectives, and consistent with an assumed universal desire to minimize taxes.
- Leveraged investment strategies: The use of investment instruments designed to increase the return to the investor exponentially to the market's rise in value, such as with leveraged ETFs. Other than the Cantella Leveraged US Opportunities Advisory model, Cantella does not permit the acquisition of leveraged investment products in advisory accounts, but accepts them in from other firms as transferred positions.
- Inverse investment strategies: The use of investment instruments designed to provide returns inverse to market performance. Cantella permits investment in non-leveraged inverse investment products in advisory accounts.

**Risk of Loss:** Each investment strategy utilized by Cantella financial advisors contains inherent risks. The financial advisor works to mitigate those risks through due diligence into the securities used in building client portfolios. **Investing in securities involves risk of loss that clients should be prepared to bear.**

It is important to understand that no methodology or investment strategy is guaranteed to be successful or profitable. There are risks inherent in each type of analysis, including those listed above. For example, a risk of any method of analysis that considers past performance as a predictor of future performance is that past performance is no guarantee of future results. Some methods of analysis, such as fundamental analysis, focus on identifying the value of the company, without considering external factors such as market movements. Failure to consider external factors presents a potential risk, as the price of a security may be impacted by the overall market, regardless of the economic and financial factors considered in evaluating the specific stock.

Other methods of analysis, such as technical analysis, evaluate external factors, but do not consider the underlying financial condition of a company. Failure to consider a company's underlying value presents a risk that a poorly-managed or financially unsound company may under-perform regardless of positive market movements.

A risk of investing with a third-party manager or in a program advised by a sub adviser who has been successful in the past is that it may not be able to replicate that success in the future. In addition, as Cantella does not control the underlying investments in a third-party manager or sub-adviser's portfolio, there is also a risk that the asset manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for clients. Moreover, as Cantella does not control the asset manager's daily business and compliance operations, Cantella may not be aware of any lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Simply investing in an advisory account results in risk of loss. There is the risk that the client may pay a smaller overall fee in a commission-based brokerage account or another advisory account type than in the selected fee-based account. This is possible when the client does not

engage in a high volume of trading activity or does not avail of the advisory services for which they have paid.

Most methods of analysis require the financial advisor to make one or more assumptions or subjective judgments. If any of the assumptions or judgments are incorrect or are not realized, then the analysis may be inaccurate. Finally, all of the methods of analysis described above rely on the assumption that all publicly-available sources of information are accurate and that the analysis is not compromised by inaccurate or misleading information.

Depending on the type of service being provided, Cantella and financial advisors can recommend different types of securities, including mutual funds, unit investment trusts, closed end funds, ETFs, collective investment trusts, equities, fixed income securities, options, and structured products. Below are some risks associated with investing and with some types of investments a financial advisor can recommend depending on the service provided.

- 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 overall performance of the client portfolio.
- Trading: Frequent trading may impact a portfolio's performance through increased costs associated with the amount of activity occurring in the client account.
- Market Risk: This is the risk that the value of securities owned by an investor may go up or down, sometimes rapidly or unpredictably, due to factors affecting securities markets generally or particular industries.
- Interest Rate Risk: This is the risk that fixed income securities will decline in value because of an increase in interest rates; a bond or a fixed income fund with a longer duration will be more sensitive to changes in interest rates than a bond or bond fund with a shorter duration.
- 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.
- Credit Risk. This is the risk that an investor could lose money if the issuer or guarantor of a fixed income security is unable or unwilling to meet its financial obligations.
- Issuer-Specific Risk. This is the risk that the value of an individual security or

particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole.

- **Investment Company Risk.** To the extent a client account invests in ETFs or other investment companies, its performance will be affected by the performance of those other investment companies. Investments in ETFs and other investment companies are subject to the risks of the investment companies' investments, as well as to the investment companies' expenses. If a client account invests in other investment companies, the client account may receive distributions of taxable gains from portfolio transactions by that investment company and may recognize taxable gains from transactions in shares of that investment company, which would be taxable when distributed.
- **Concentration Risk.** To the extent a client account concentrates its investments by investing a significant portion of its assets in the securities of a single issuer, industry, sector, country or region, the overall adverse impact on the client of adverse developments in the business of such issuer, such industry or such government could be considerably greater than if they did not concentrate their investments to such an extent.
- **Sector Risk.** To the extent a client account invests more heavily in particular sectors, industries, or sub-sectors of the market, its performance will be especially sensitive to developments that significantly affect those sectors, industries, or sub-sectors. An individual sector, industry, or sub-sector of the market may be more volatile, and may perform differently, than the broader market. Similar industries that constitute a sector may all react in the same way to economic, political or regulatory events. A client account's performance could be affected if the sectors, industries, or sub-sectors do not perform as expected. Alternatively, the lack of exposure to one or more sectors or industries may adversely affect performance.
- **Alternative Strategy Mutual Funds.** Certain mutual funds invest primarily in alternative investments and/or strategies. Investing in alternative investments and/or strategies may not be suitable for all investors and involves special risks, such as risks associated with commodities, real estate, leverage, selling securities short, the use of derivatives, potential adverse market forces, regulatory changes and potential illiquidity. There are special risks associated with mutual funds that invest principally in real estate securities, such as sensitivity to changes in real estate values and interest rates and price volatility because of the fund's concentration in the real estate industry. These types of funds tend to have higher expense ratios than more traditional mutual funds. They also tend to be newer and have less of a track record or performance history.
- **Closed-End/Interval Funds.** Clients should be aware that closed-end funds available within the program may not give investors the right to redeem their shares, and a secondary market may not exist. Therefore, clients may be unable to liquidate all or a portion of their shares in these types of funds. While the fund may from time to time offer to repurchase shares, it is not obligated to do so (unless it has been structured as an "interval fund"). In the case of interval funds, the fund will provide limited liquidity to shareholders by offering to repurchase a limited amount of shares on a periodic basis, but there is no guarantee that clients will be able to sell all of the shares in any particular repurchase offer. The repurchase offer program may be suspended under certain circumstances.
- **Exchange-Traded Funds (ETFs).** ETFs are typically investment companies that

are legally classified as open-end mutual funds or UITs. However, they differ from traditional mutual funds, in particular, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. This difference between the bid price and the ask price is often referred to as the “spread.” The spread varies over time based on the ETF’s trading volume and market liquidity, and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1940, some ETFs in particular those that invest in commodities, are not registered as an investment company. ETFs may be closed and liquidated at the discretion of the issuing company.

- **Exchange-Traded Notes (ETNs).** An ETN is a senior unsecured debt obligation designed to track the total return of an underlying market index or other benchmark. ETNs may be linked to a variety of assets, for example, commodity futures, foreign currency and equities. ETNs are similar to ETFs in that they are listed on an exchange and can typically be bought or sold throughout the trading day. However, an ETN is not a mutual fund and does not have a net asset value; the ETN trades at the prevailing market price. Some of the more common risks of an ETN are as follows: The repayment of the principal, interest (if any), and the payment of any returns at maturity or upon redemption are dependent upon the ETN issuer’s ability to pay. In addition, the trading price of the ETN in the secondary market may be adversely impacted if the issuer’s credit rating is downgraded. The index or asset class for performance replication in an ETN may or may not be concentrated in a specific sector, asset class or country and may therefore carry specific risks. ETNs may be closed and liquidated at the discretion of the issuing company.
- **Leveraged and Inverse ETFs, ETNs and Mutual Funds.** Leveraged ETFs, ETNs and mutual funds, sometimes labeled “ultra” or “2x” for example, are designed to provide a multiple of the underlying index's return, typically on a daily basis. Inverse products are designed to provide the opposite of the return of the underlying index, typically on a daily basis. These products are different from and can be riskier than traditional ETFs, ETNs and mutual funds. Although these products are designed to provide returns that generally correspond to the underlying index, they may not be able to exactly replicate the performance of the index because of fund expenses and other factors. This is referred to as tracking error. Continual resetting of returns within the product may add to the underlying costs and increase the tracking error. As a result, this may prevent these products from achieving their investment objective. In addition, compounding of the returns can produce a divergence from the underlying index over time, in particular for leveraged products. In highly volatile markets with large positive and negative swings, return distortions may be magnified over time. Some deviations from the stated objectives, to the positive or negative, are possible and may or may not correct themselves over time. To accomplish their objectives, these products use a range of strategies, including swaps, futures contracts and other derivatives. These products may not be diversified and can be based on commodities or currencies. These products may have higher expense ratios and be less tax-efficient than more traditional ETFs, ETNs and mutual funds.



- **Options.** Certain types of option trading are permitted in order to generate income or hedge a security held in the program account; namely, the selling (writing) of covered call options or the purchasing of put options on a security held in the program account. Client should be aware that the use of options involves additional risks. The risks of covered call writing include the potential for the market to rise sharply. In such case, the security may be called away and the program account will no longer hold the security. The risk of buying long puts is limited to the loss of the premium paid for the purchase of the put if the option is not exercised or otherwise sold by the program account.
- **Structured Products.** Structured products are securities derived from another asset, such as a security or a basket of securities, an index, a commodity, a debt issuance, or a foreign currency. Structured products frequently limit the upside participation in the reference asset. Structured products are senior unsecured debt of the issuing bank and subject to the credit risk associated with that issuer. This credit risk exists whether or not the investment held in the account offers principal protection. The creditworthiness of the issuer does not affect or enhance the likely performance of the investment other than the ability of the issuer to meet its obligations. Any payments due at maturity are dependent on the issuer's ability to pay. In addition, the trading price of the security in the secondary market, if there is one, may be adversely impacted if the issuer's credit rating is downgraded. Some structured products offer full protection of the principal invested, others offer only partial or no protection. Investors may be sacrificing a higher yield to obtain the principal guarantee. In addition, the principal guarantee relates to nominal principal and does not offer inflation protection. An investor in a structured product never has a claim on the underlying investment, whether a security, zero coupon bond, or option. There may be little or no secondary market for the securities and information regarding independent market pricing for the securities may be limited. This is true even if the product has a ticker symbol or has been approved for listing on an exchange. Tax treatment of structured products may be different from other investments held in the account (e.g., income may be taxed as ordinary income even though payment is not received until maturity). Structured CDs that are insured by the FDIC are subject to applicable FDIC limits.
- **High-Yield Debt.** High-yield debt is issued by companies or municipalities that do not qualify for "investment grade" ratings by one or more rating agencies. The below investment grade designation is based on the rating agency's opinion of an issuer that it has a greater risk to repay both principal and interest and a greater risk of default than those issuers rated investment grade. High yield debt carries greater risk than investment grade debt. There is the risk that the potential deterioration of an issuer's financial health and subsequent downgrade in its rating will result in a decline in market value or default. Because of the potential inability of an issuer to make interest and principal payments, an investor may receive back less than originally invested. There is also the risk that the bond's market value will decline as interest rates rise and that an investor will not be able to liquidate a bond before maturity.
- **Business Development Companies (BDCs).** BDCs are typically closed-end investment companies. Some BDCs primarily invest in the corporate debt and equity of private companies and may offer attractive yields generated through high credit risk exposures amplified through leverage. As with other high-yield

investments, such as floating-rate/leveraged loan funds, private real estate investment trusts (“REITs”) and limited partnerships, investors are exposed to significant market, credit and liquidity risks. In addition, fueled by the availability of low-cost financing, BDCs run the risk of over-leveraging their relatively illiquid portfolios. Due to the illiquid nature of non-traded BDCs, investors’ exit opportunities may be limited only to periodic share repurchases by the BDC at high discounts.

- **Company Stock.** If company stock is available as an investment option to client in a retirement plan, and if client chooses to invest in company stock, client should understand the risks associated with holding company stock in a retirement plan. These risks may include, but are not necessarily limited to, lack of liquidity, over-dependency on client’s employer, and less flexibility to change the allocation of plan assets. Client should pay careful consideration to the benefits of a diversified portfolio. Although diversification is not a guarantee against loss, it can be an effective strategy to help manage investment risk.

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

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.

In December 2014, F-Squared Investments admitted it violated federal securities laws related to inaccurate performance reporting between April 2001 and September 2008. F-Squared provided signals for the Cantella Tactical program between October 2012 and May 2015. Cantella provided F-Squared’s inaccurate information to certain clients and prospects without knowing it was incorrect. The SEC has found that Cantella did not perform sufficient steps or obtain sufficient documents to determine the accuracy of F-Squared’s past performance. Without admitting or denying the SEC’s findings, Cantella agreed to cease and desist from committing or causing any violations and future violations of Sections 204(a) and 206(4) of the Advisers Act and Rules 204-2(a)(16) and 206(4)-1(a)(5). Cantella also agreed to pay a civil monetary penalty of one hundred thousand dollars.

In March 2019, Cantella & Co., Inc (“the Firm”) has entered into an agreement (“the Order”) with the Securities and Exchange Commission after self-reporting issues relating to the SEC’s Share Class Selection Disclosure Initiative. While neither admitting nor denying the findings of the Order, and while the Firm disclosed that we may receive 12b-1 fees, this was not found to be a sufficiently explicit disclosure of the conflict of interest. The Firm was also required to update all relevant disclosure documents, and evaluate its policies and procedures in connection with disclosures regarding mutual fund share class selection. Finally, the Order censured the Firm and ordered it to cease and desist from further violations.

Neither Cantella, nor any management persons, has had any material proceedings before a self-regulatory organization. Individuals can view all Cantella’s disclosures at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

Cantella is currently registered with FINRA as a broker-dealer. 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 financial advisor, or an associate person of the foregoing entities. Many Cantella financial advisors are dually registered as registered representatives and must disclose this to clients as it poses a conflict of interest.

Cantella has a number of financial advisors licensed to sell traditional insurance to clients. This arrangement presents a conflict of interest and gives the financial advisor an incentive to recommend investment and insurance products based on the compensation received, rather than the client's needs.

Cantella does not manufacture or distribute any mutual funds. Cantella's custodians may maintain programs such as the NTF program that include mutual funds that pay a 12b-1 fee. The payment of the 12b-1 fees to Cantella or its custodians represents a conflict of interest.

Cantella has several relationships with unaffiliated registered investment advisory firms. These firms use Cantella to provide broker/dealer services. Unaffiliated registered investment advisers may also serve as a subadvisor or third party asset manager for assets of Cantella clients, as discussed in Item 4 above.

Each financial advisor is required to disclose if he/she participates in any outside business activities, whether investment related 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 financial advisors supplemental brochure. Clients can also review any financial advisors outside activity through [www.FINRA.org](http://www.FINRA.org) in the BrokerCheck portion of the website.

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

Code of Ethics. 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 financial advisors. Sheelagh Howett is the 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).

Participation in Client Accounts. The Cantella Tactical Advisory model and Cantella Leveraged US Opportunities Advisory model are model portfolios sponsored and maintained by Cantella. This presents a conflict of interest because Cantella, received greater compensation for assets invested in these programs as a result of its role as the model strategist. Cantella mitigates this conflict by only placing suitable client assets into the model portfolios.

Personal Trading. Cantella and/or related persons and affiliates may buy or sell for itself/themselves securities, which are also recommended to clients. This results in a conflict of interest because Cantella or its financial advisor may be better situated depending on the timing, size, and market impact of the respective trades.

## **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 or utilizing one of the custodian's the firm has entered into agreements to provide custody and clearing. Clients are not required to open their accounts through Cantella. However, in this case, the Cantella IAR would not be able to service the account. The agreements in which Cantella has established include NFS, 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 his/her 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.
  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 registered representatives, any brokerage account is to be opened through Cantella or PAS (Pershing Advisor Solutions) 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.

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.

**Money Market Sweep Program.** Cantella’s Money Market Program is the service that we provide that permits the uninvested cash or “free credit balance” in your brokerage account to earn income while you decide how those funds should be invested longer term.: The “Money Fund Sweep” feature automatically invests in and redeems funds from a sweep fund.

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

**Financial Plans.** Financial plans are reviewed as they are submitted to Cantella by financial advisors. 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. In the event, there is an issue with the required paperwork and or content of plan the reviewer will work with the financial advisor to resolve any issues. All reviewers are Cantella home office employees and members of the firm’s operations or compliance departments.

**Advisory Accounts.** Advisory accounts are reviewed in a number of ways. Accounts are initially reviewed prior to the account being established. Accounts are further subject to a 90-day review for suitability. Cantella compliance department personnel regularly monitor trading volume occurring in advisory accounts, fees being paid by clients, large cash positions as well as concentrated positions. Cantella compliance department staff review all trades on a daily basis.

Clients receive statements of their investment holdings from the custodian of the account showing the current value of the positions, the change in value of the account from the previous period, as well as all transactions, dividends, account deposits and withdrawals. Cantella encourages clients to review this data and contact the firm or their financial advisor with any questions.

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

Cantella may enter into agreements with unaffiliated investment advisors whereby Cantella acts as a solicitor for investment advisory services. Cantella receives a portion of advisory fees charged by the unaffiliated investment advisor. Pursuant to such arrangements (which are disclosed in advance of a client agreement) the financial advisor arranges for the delivery of ADV Part 2A and brochures or other related material relative to advisory services to be provided to the client through the solicitor. This referral activity represents a conflict of interest because of the compensation received by Cantella.

Similarly, Cantella has entered into written agreements with non-supervised persons and organizations for them to provide client referrals to the firm. These individuals and organizations act as solicitors to Cantella under federal securities rules. These solicitors are obliged to provide Cantella’s Form ADV Part 2A and a separate disclosure document relating to the solicitor’s relationship with Cantella to each potential client. Cantella pays these solicitors for their services. A client referred to Cantella by a solicitor will not pay a higher advisory fee to Cantella as a result of the referral. Please refer to Items 4 and 5 for further details.

### **Item 15: Custody**

Custody is defined as any legal or actual ability by Cantella to access client funds or securities. All client funds and securities are held with one or more qualified custodians. However, although Cantella does not take actual possession of client funds or securities, it is deemed to have constructive custody of certain client accounts and funds under current SEC interpretations and guidance. Clients with advisory accounts receive account statements from the custodian that holds their assets. Clients should review their statements carefully and contact their financial advisor or Cantella's compliance department with any questions.

### **Item 16: Investment Discretion**

Clients may give their financial advisor limited discretionary authority to effect transactions within an account. This would give the financial advisor 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. The ability to trade options or use margin require additional documentation to be completed by the client. The use of discretion by a financial advisor will be conducted according to the client's risk tolerance, investment objectives, and time horizon. Various securities and/or tax laws or internal procedures may impose restrictions on the exercise of discretion or investments that can be made.

When utilizing certain advisory services such as third-party money managers or separate account managers the financial advisor's discretion will involve the selection of money manager(s) for their account(s). In these situations, the financial advisor will not exercise discretion with respect to transactions in the client's account.

### **Item 17: Voting Client Securities**

As a matter of firm policy and practice, Cantella does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Cantella reserves the right to provide advice to clients regarding the clients' voting of proxies.

Cantella also does not have authority to and does not file class action claims for or participate in litigation on behalf of clients with respect to the holdings in their accounts.

### **Item 18: Financial Information**

The Firm applied for and received a Paycheck Protection Program ("PPP") Loan in the amount of \$1,173,600 during the Covid-19 pandemic. This program established by the U.S. Small Business Administration authorized billions of dollars in forgivable loans to small businesses during the crisis. The Firm used this money to pay employee salaries, rent and utilities. It was not used, nor did it impact our ability, to pay your financial advisor. Similarly, it is not reflective of financial instability within the Firm. We are not experiencing conditions likely to impair our ability to

meet contractual commitments to you, our clients.

Cantella has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. Cantella does not require prepayment of fees six month or more in advance.



## **ADV Part 2A - Appendix 1**

### **Managed Account Command Wrap Fee Program Brochure**

350 Main Street, 3rd Floor  
Malden, MA 02148  
**(800) 333-3502**  
**[www.cantella.com](http://www.cantella.com)**

May 21, 2020

Cantella & Co., Inc. (“Cantella”) is a nationally registered broker-dealer and SEC registered investment adviser located in Malden Massachusetts. 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 and 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**

### **Summary of Material Changes**

Cantella has updated Item 18 within the Firm Brochure to reflect the firm's participation in the Paycheck Protection Program ("PPP") loan program.

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

- A. Services Provided Under the Managed Account Command Program. Cantella provides investment management and investment advisory services through several programs, including the Managed Account Command Program (“Account Command”) available from Lockwood Advisors, Inc. (“LA”). The five managed account options available are: (i) Separately Managed Solutions (“SMA”); (ii) the Lockwood Asset Allocation Portfolios (“LAAP”); (iii) Lockwood Investment Strategies (“LIS”); (iv) AdvisorFlex Portfolio (“AFP”) and (v) BNY Mellon Select. The Account Command Program is exclusively available through Cantella’s custodial relationship with Pershing LLC (“Pershing”).

The services provided by Cantella under the Account Command program include:

- Assessment of the client’s investment needs and objectives;
- Development of an asset allocation strategy designed to help clients achieve their objectives;
- Recommendations on suitable style allocations;
- Identification of asset managers and investment vehicles meeting objective and/or subjective criteria;
- Engagement of selected asset managers and investment vehicles on behalf of the client; and
- Review of client accounts to ensure adherence to client-stated guidelines and asset allocation.

Cantella, through its financial advisors, provide these services to clients in the Account Command program. Though all of the above referenced services are available, Cantella does not require the client to utilize any or all of the listed services.

#### **Account Command Investment Options.**

- Separately Managed Account Solutions. SMA accounts are invested according to a model portfolio where the assets are owned by individual investors. An investment is allocated across one or more available investment models, which will determine the portfolio allocation. The available models include those designed by managers covering a variety of investment styles and options.
- Lockwood Asset Allocation Portfolios. These models may consist of open and closed end mutual funds and exchange-traded funds.
- Lockwood Investment Strategies. These models may consist of individual securities, mutual funds, exchange-traded funds, exchange-traded notes, and other securities as determined by LA at its sole discretion. Tax sensitive strategies are available through this account option.
- AdvisorFlex Portfolios. AFP includes three objective based strategies, Appreciation, Income, and Preservation (the “Strategies”), with multiple models within each strategy. The models can include traditional and non-traditional asset categories.
- BNY Mellon Select. Client asset are invested in asset allocation mutual fund models developed by MBSC Securities Corporation, an affiliate of LA through the Account Command program. This investment option is only available for non-ERISA qualified

account assets.

- A. Fees. Clients will compensate Cantella for investment advisory services on an annual basis at the rate set forth in the Client Agreement. The fee will be payable monthly in advance. Accounts are billed initially for the days from inception to the end of the month based on the inception value. Subsequent monthly fees will be calculated based upon the previous month's end value. The wrap fee is negotiable between the Client and Cantella.

Clients pay an all-inclusive fee (the "wrap fee") for services provided in a wrap fee program. The services provided for the wrap fee are: (i) the financial advisor's investment management; (ii) portfolio management, trading and execution costs related to the investments in the accounts; and (iii) the strategist's fee.

The maximum wrap fee for the SMA Program and LIS program accounts is 2.5%. The maximum wrap fee for the LAAP program is 2.25%. The maximum wrap fee for the AdvisorFlex program is 2.0%. The maximum wrap fee for the BNY Select Program is 2.00%. The wrap fee is negotiated between the client and the financial advisor.

The components of the wrap fee are described in further detail below.

Financial Advisor's Management Fee. The financial advisor's management fee is negotiated between the client and the financial advisor and is a component of the wrap fee. The agreed-upon fee is set forth in 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 financial advisor, special needs and characteristics of each client, types of investments, and other factors.

Program Fee Schedule. Cantella assesses a program fee as part of its wrap fee programs. This fee is in addition to the financial advisor's management fee and a component of the wrap fee. The program fee offsets the cost of account administration, trade placement and execution services. The program fee component of the wrap fee for each of the Account Command programs is set forth in the following series of tables.

<b>SMA Asset Level</b>	<b>Program Fee – Equities</b>	<b>Program Fee – Fixed Income</b>
First \$500K	.40%	.30%
Next \$500K	.39%	.23%
Next \$4 million	.37%	.20%
Over \$5,000,000 million	.33%	.17%

<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%

There is no Program Fee associated with BNY Mellon Select accounts.

Portfolio Manager's Fee. If the account is invested in the SMA program, the portfolio manager will assess a fee for their portfolio management services.

For programs invested in U.S. equity securities, the portfolio manager's fee will not exceed .50%. For programs invested in U.S. fixed income investments, the portfolio manager's fee will not exceed .40%. For programs invested in international securities, the portfolio manager's fee will exceed .50%. Regardless of the fee assessed for portfolio management services, the total Wrap Fee will not exceed that which is disclosed at the beginning of this section.

Account Billing Procedures. The Wrap Fee is agreed to as an annual fee at the rate set forth in the Agreement. The fee will be payable quarterly in advance for all Account Command programs. Accounts are billed initially for the days from inception to the end of the month based on the inception value. Subsequent fees will be calculated based upon the previous month's end value. No fee adjustments will be made for contributions or withdrawals of funds until adjustments are made as reflected in the next month's statement. Cantella will deduct all fees directly from the account. All fees will be reported to clients on their statements.

- B. Other Access to Services. Clients may be able to obtain the same or similar services from Cantella under another program, from another investment advisor, or from another broker-dealer. In addition, client may be able to manage their accounts on their own. In each case, the client may pay more or less for the services provided by Cantella. The factors that bear upon the relative cost of the Wrap Fee Program to non-wrap fee services are the costs associated with trading, custody and account maintenance, portfolio manager access and access to a financial advisor.
- C. Fees Not Included in the Wrap Fee. Clients will pay fees in excess of the Wrap Fee, including but not limited to custodial fees, wire fees, markups and markdowns, Section 31 transaction fees and fees for legal or courtesy transfers of securities. If an account holds any mutual funds or exchange traded products, the client will also incur the investment's internal expenses. These expenses are part of the net asset value or price of the investment. To view an investment's internal expenses, clients should review its prospectus.

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

- A. Minimum Account Size. The Account Command programs have minimum account sizes. The account minimums vary among the programs. They are subject to increases, decreases, or waivers at the discretion of the program sponsors, including Cantella. The account minimums are set forth on the following table.

<b>Program</b>	<b>Account Minimum</b>
SMA Program	\$100,000
LAAP	\$50,000
LIS	\$250,000
AFP	\$50,000
BNY Mellon Select	\$25,000

- B. Other Account Requirements. Clients participating in the programs are required to grant full discretion in investment authority to Cantella and LA to invest, reinvest, sell, exchange, allocate and reallocate assets, and otherwise deal with program assets at their discretion.

Clients participating in the programs are also required to authorize Cantella to designate Pershing to provide trade execution, trade clearing, and custodial services with respect to program assets.

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 held in the account after funding. Each of the programs will accept cash. Programs managed under a specific model portfolio may include limitations on the clients' holdings in the account. Managers of equity-based programs will accept stocks they currently hold in their model. They may allow additional stock holdings at their discretion. Fixed income portfolio managers may require a position being transferred into a client account to be pre-approved by the portfolio manager. Once cash or securities are deposited into the client's account, the financial advisor or portfolio manager will have discretion over the client assets.

- C. Types of Clients. Cantella generally provides advisory services to the following types of clients: individuals, high net worth individuals, pension plans/profit sharing plans, corporations, foundations/charities, and government/municipal entities.

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

- A. Portfolio Manager Selection and Ongoing Evaluation. Portfolio Managers used in Cantella's Account Command Program are all offered through LA, another sponsor of the programs. Accordingly, Cantella leverages LA's portfolio manager research and due diligence processes, including but not limited to its evaluation of the accuracy of performance information provided by the portfolio managers.
- B. Portfolio Manager Selection for Individual Client Accounts. In addition to Cantella's efforts to evaluate portfolio managers, financial advisors with their clients to evaluate and select the appropriate portfolio manager for an account. Manager selection is based on the client's needs, investment objectives, investment time horizon, risk tolerance and any other pertinent factors. The financial advisor will then make recommendations regarding which Manager(s) on the

Account Command Platform fit with the client's strategy. Financial advisors will monitor the accounts, portfolio manager performance, and client investment criteria on an ongoing basis to evaluate the ongoing suitability of the portfolio manager selection.

- C. Portfolio Management by Cantella. Cantella does not manage model portfolios internally and does not employ any portfolio managers.
- D. Portfolio Manager Performance Calculation. Cantella does not calculate portfolio manager performance.

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

Portfolio managers in the Account Command 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. 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 Account Command Program will occur through the financial advisor. Cantella will promptly advise the portfolio manager of any changes to client's investment objectives and financial situation. Cantella may ask a portfolio manager to attend meetings with Cantella and clients, however, portfolio managers are under no obligation to attend such meetings.

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

- A. Disciplinary Information. Refer to Item 9, of the Firm Brochure.
- B. Other Financial Industry Activities and Affiliations. Please refer to Item 10 of the Firm Brochure.
- C. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading. Refer to Item 11 of the Firm Brochure.
- D. Review of Accounts. Refer to Item 13 of the Firm Brochure.
- E. Client Referrals and Other Compensation. Refer to Item 14 of the Firm Brochure.
- F. Financial Information. Refer to Item 18 of the Firm Brochure.



**ADV Part 2A - Appendix 2**  
**Cantella Managed Investments, Qualified Plan, and Platinum Plus  
Wrap Fee Program Brochure**

350 Main Street, 3rd Floor  
Malden, MA 02148  
**(800) 333-3502**  
**[www.cantella.com](http://www.cantella.com)**

May 21, 2020

Cantella & Co., Inc. (“Cantella”) is a nationally registered broker-dealer and SEC registered investment adviser located in Malden Massachusetts. 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.

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## **Item 2: Material Changes**

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

Cantella provides financial advisor-directed and strategist-directed investment management and investment advisory services through several programs, including the Cantella Managed Investments Program (“CMI”), Qualified Retirement Plan Program (“Qualified Plan”) and Platinum Plus Account Program (“Platinum Plus”).

The services provided by Cantella include:

- Assessment of the client’s investment needs and objectives;
- Development of an asset allocation strategy designed to help clients achieve their objectives;
- Recommendations on suitable style allocations;
- Identification of asset managers and investment vehicles meeting objective and/or subjective criteria;
- Engagement of selected asset managers and investment vehicles on behalf of the client;
- Review of client accounts to ensure adherence to policy guidelines and asset allocation and;
- Recommendations for account rebalancing, if necessary.

Though all of the above referenced services are available, Cantella does not require the client to utilize any or all of the listed services.

Each of the programs allows for financial advisor-directed investment management on a discretionary or non-discretionary basis. For Clients electing the CMI option, broader access to strategist-directed investment management and account analysis is available through RiskPro.

CMI Account Options. Clients are placed in financial advisor-managed accounts or strategist-directed model portfolios based on the client’s investment needs, goals, and investment criteria. CMI accounts are managed on a discretionary basis unless the client specifically opts out of discretionary account management. As discussed above, all CMI accounts are provided with an opportunity to have a professionally prepared risk-based overlay from RiskPro. Clients have three options when establishing a CMI account.

- Advisor-directed Asset Management. Financial advisors directly manage client accounts consistent with the client’s risk profile and investment objectives.
- Single Sleeve Strategist Asset Management. Client accounts are invested under the program of a single strategist.
- Unified Managed Account Asset Management. The UMA option allows a client to utilize multiple strategists or a combination of strategists and advisor-directed strategies in one account.

Platinum Plus Account Options. Client assets are managed by a financial advisor on a discretionary or non-discretionary basis. Unlike CMI, UMA accounts are not offered in Platinum Plus. It is designed to be a financial advisor-managed account program. Platinum Plus also does not incorporate the same RiskPro overlay analysis available through CMI.

Investment Options. In both CMI and Platinum Plus clients can invest in a wide variety of investment products, including exchange traded products, fixed income investments, mutual funds, and individual stocks.

Fees. Clients will compensate Cantella for investment advisory services on an annual basis at the rate set forth in the Investment Advisory Client Agreement. The fee will be payable monthly in advance. Accounts are billed initially for the days from inception to the end of the month based on the inception value. Subsequent monthly fees will be calculated based upon the previous month's end value. The Wrap Fee is negotiable between the Client and Cantella.

Clients pay an all-inclusive fee (the "wrap fee") for services provided in a wrap fee program. The services provided for the wrap fee are: (i) the financial advisor's investment management; (ii) portfolio management, trading and execution costs related to the investments in the accounts; and (iii) the strategist's fee, where applicable.

For CMI, the maximum wrap fee that can be assessed to clients is 2.0%.

For Retirement Plan accounts, the maximum wrap fee that can be assessed is provided on the table below.

<b>Account Asset Value</b>	<b>Maximum Annualized Wrap Fee</b>
First \$500,000	2.25%
Next \$500,000	2.00%
Over \$1,000,000	1.75%

For Platinum Plus Accounts, the total wrap fee that can be assessed is provided on the table below.

<b>Account Asset Value</b>	<b>Maximum Annualized Wrap Fee</b>
First \$500,000	2.25%
Next \$500,000	2.00%
Over \$1,000,000	1.75%

The components of the wrap fee are described in further detail below.

Financial Advisor's Management Fee. The financial advisor's management fee is a component of the wrap fee. The agreed-upon fee is set forth in the Investment Advisory Client Agreement. The fees charged take into account the complexity of the work performed, time involved, degree of responsibility of the financial advisor, special needs and characteristics of each client, types of investments, and other factors.

Program Fee. Cantella assesses a program fee as part of its Wrap Fee program. This fee is in addition to the financial advisor's management fee and a component of the wrap fee. The program fee offsets the cost of strategist recommendations, account administration, trade placement and execution services.

Strategist Fee. Strategists are available in CMI through its relationship with RiskPro. There is no additional charge to Clients for asset management by these strategists. The cost of RiskPro, including the strategists' cost, is incorporated into Cantella's program fee.

Notwithstanding the above, assets invested in the following strategists, which are not available through RiskPro, are subject to additional strategist fees as follows:

Cantella US Leveraged Opportunities	.25%
Cantella Tactical US Equity	.30%

Fees Associated with Retirement Plan Accounts. Retirement plan accounts custodied at NFS and Pershing and invested in CMI are assessed a tiered all-inclusive wrap fee that is the same for all strategies. The wrap fee includes the financial advisor's fee and the program fee.

Account Asset Value	Maximum Annualized Wrap Fee
First \$500,000	2.25%
Next \$500,000	2.00%
Over \$1,000,000	1.75%

Account Billing Procedures. The wrap fee is agreed to as an annual fee at the rate set forth in the Agreement. The fee will be payable monthly in advance. Accounts are billed initially for the days from inception to the end of the month based on the inception value. Subsequent quarterly fees will be calculated based upon the previous month's end value. No fee adjustments will be made for contributions or withdrawals of funds until adjustments are made as reflected in the next month's statement. Cantella will deduct all fees directly from the account. All fees will be reported to Clients on their statements.

Other Access to Services. Clients may be able to obtain the same or similar services from Cantella under another program, from another investment advisor, or from another broker-dealer. In addition, client may be able to manage their accounts on their own. In each case, the client may pay more or less for the services provided by Cantella.

Fees Not Included in the Wrap Fee. Clients will pay fees in excess of the wrap fee, including but not limited to custodial fees, wire fees, postage fees, markups and markdowns, Section 31 transaction fees and fees for legal or courtesy transfers of securities. If an account holds any mutual funds or exchange traded products the client will also incur the investment vehicle's internal expenses. These expenses are part of the net asset value or price of the investment. To view an investment's internal expenses, clients should review its prospectus.

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

- A. Minimum Account Size. The CMI minimum account size is generally \$25,000. We do have a \$10,000 minimum account size option available which has a narrower range of asset allocation options. The Retirement Plan minimum account size is \$25,000 with the exception accounts invested in the no transaction fee funds program ("NTF Program") offered through and custodied at Pershing, in which case there is no minimum account size. The Platinum Plus account minimum account size is \$100,000. Account minimums are subject to increase and decrease at the discretion of a program sponsor.
- B. Other Program Requirements. Clients participating in strategist-directed investment models are required to grant full discretion in investment authority to the strategist to invest, reinvest, sell, exchange, allocate and reallocate assets, and otherwise deal with program assets at their discretion.

Clients participating in the program are required to authorize Cantella to designate the account custodian to provide trade execution, trade clearing, and custodial services with respect to program assets.

There are a number of ways a client can fund their account(s) in the program. Each of the strategies will generally accept cash, stocks, bonds, mutual funds, ETFs and closed end funds.

- C. Types of Clients. Cantella generally provides advisory services to the following types of clients: individuals, high net worth individuals, pension plans/profit sharing plans, corporations, foundations/charities, and government/municipal entities.

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

- A. Cantella primarily utilizes buy/sell signals provided by a third party through a Model Manager Agreement in addition to Strategists through CMI.

For the RiskPro provided strategists, RiskPro conducts all due diligence, oversight and ongoing analysis relative to the strategists. Cantella monitors RiskPro to ensure that RiskPro is conducting ongoing reviews.

For strategists that are not monitored by RiskPro, Cantella gathers initial and ongoing research and due diligence. Cantella gathers information regarding historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Cantella also reviews publicly available information including the model manager or strategist's Form ADV. The strategist is the primary source of information, providing quantitative and qualitative information. Cantella attempts to verify certain information by comparing it to publicly available sources. Cantella may request additional information from the managers to evaluate the competence and experience before a decision is made to add or remove a manager or strategist.

- B. Currently Cantella does not have a related person that acts as a model manager or portfolio manager in the program. In the event Cantella decides to allow such activity the model manager or strategist would be held to the same standard as any of the signal provider(s) currently utilized in the program.
- C. Currently Cantella does not have a supervised person that acts as a CMI model manager. In the event Cantella decides to allow such activity, the model manager would be held to the same standard as any of the model managers or strategists currently utilized in the program.

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

Cantella client personal identifiable information is not shared with model managers and strategists. The only information that will be shared with the model managers and strategists is portfolio values.

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

All client contact and communications regarding participation in the program will occur through Cantella. Cantella may ask strategists to attend meetings with Cantella and clients, however, strategists are under no obligation to attend such meetings.

**Item 9: Additional Information**

- A. Disciplinary Information. Refer to Item 9, of the Firm Brochure.
- B. Other Financial Industry Activities and Affiliations. Please refer to Item 10 of the Firm Brochure.
- C. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading. Refer to Item 11 of the Firm Brochure.
- D. Review of Accounts. Refer to Item 13 of the Firm Brochure.
- E. Client Referrals and Other Compensation. Refer to Item 14 of the Firm Brochure.
- F. Financial Information. Refer to Item 18 of the Firm Brochure.