



## **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 made a few clarifications, amendments, and expanded sections of the firm brochure since the last version, dated May 22<sup>nd</sup>, 2020. Please see below for information on the updates made.

In Item 4, the firm restructured the discussion regarding fiduciary and non-fiduciary services. The firm amended the description of the services we offer to Retirement Plans and clarified when services are discretionary and non-discretionary fiduciary services. The firm also amended some of the Retirement Plan Consulting Services.

The firm added language relating to co-advisory relationships engaged in by Cantella.

The firm added language clarify language in Item 4 E. Account Based Thresholds.

The firm added language to the opening section and also updated information within Item 5 A. Asset Based Fees and compensation

### **Other Changes within Item 5**

- The firm also added information on Cantella Classic Gold accounts. While this program is closed to new investors, we wanted to make sure existing clients are aware of the conflicts associated with this program.
- The firm renamed its Cantella Classic Platinum account to “CMI Unbundled” and we added a discussion around the conflicts of interest associated with this program.
- The fee table for CMI unbundled has been added. In addition, the firm expanded on the differences between Cantella Classic Platinum and CMI Unbundled.
- The firm added additional language on Opportunity and Ambassador fee programs.
- The firm expanded on the discussion pertaining to accounts at PAS to disclose charges for trades executed in the account and the receipt of compensation associated with this program.
- Additional information was added to the compensation paid to Cantella regarding clearing

and execution compensation, payment on account balance information, and mutual fund share class considerations.

- The firm added additional information to the following sections: Other Fees Paid by Clients, Other Compensation paid to Cantella which includes Mutual Fund Share Class Considerations, No Transaction Fee Mutual Fund Program Considerations and Clearing/Execution Compensation and Payments on Account Balances.
- We also updated language within the Other Compensation Paid to Financial Advisors and Compensation Relating to Outside Business Activities sections.

In item 8, the firm has clarified information on the purchase/sale of leveraged ETFs.

In Item 9, the firm clarified language regarding the settlement terms of a disciplinary event from March 2019 regarding the SEC Share Class Disclosure Initiative.

In Item 11, the firm has clarified language pertaining to compensation received from the Tactical and US Opportunity model strategists. The firm also added clarifying language to the Personal Trading section within this same item number.

In Item 12, the firm expanded on the language within #3 Direct Brokerage and #5 Cash Sweep Program.

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**

	Page
Item 1: Cover Page .....	1
Summary of Material Changes .....	2
Item 2: Material Changes .....	4
Item 3: Table of Contents.....	4
Item 4: Advisory Business .....	5
Item 5: Fees and Compensation .....	9
Item 6: Performance-Based Fees and Side-By-Side Management .....	21
Item 7: Types of Clients.....	21
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss .....	21
Item 9: Disciplinary Information.....	28
Item 10: Other Financial Industry Activities and Affiliations .....	28
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	29
Item 12: Brokerage Practices .....	29
Item 13: Review of Accounts.....	33
Item 14: Client Referrals and Other Compensation .....	33
Item 15: Custody .....	34
Item 16: Investment Discretion .....	34
Item 17: Voting Client Securities.....	34
Item 18: Financial Information.....	34
Appendix 1 Managed Account Command Wrap Fee Program Brochure .....	36
Appendix 2 Cantella Managed Investments and Qualified Plan Wrap Fee Program Brochure .....	1

## **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.

#### 1. Financial Planning

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

- **Comprehensive Financial and Tax Planning:** A review of income (payroll, income, dividends), debt (mortgage, credit cards, loans) personal expenditures, tax returns, employee benefits, 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’ scenario.
- **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.

## 2. 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.

## 3. 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.

## 4. 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 after speaking with and obtaining consent from 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.

## 5. Retirement Plan Services

Cantella offers (1) Discretionary Investment Management Services, (2) Non-Discretionary Investment Advisory Services and/or (3) Retirement Plan Consulting Services to employer-sponsored retirement plans and their participants. Depending on the type of the Plan and the specific arrangement with the Sponsor, we may provide one or more of these services.

**Discretionary Investment Management Services:** These services are designed to allow the Plan fiduciary to delegate responsibility for managing, acquiring and disposing of Plan assets that meet the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). We will perform these investment management services through our IARs and charge fees as described in this Form ADV and the Agreement. If the Plan is subject to ERISA, we will perform these services as an "investment manager" as defined under ERISA Section 3(38) and as a "fiduciary" to the Plan as defined under ERISA Section 3(21).

**Non-Discretionary Fiduciary Services:** These services are designed to allow the Sponsor to retain full discretionary authority or control over assets of the Plan. We will solely be making recommendations to the Sponsor. We will perform these Non-Discretionary investment advisory services through our IARs and charge fees as described in this Form ADV and the Agreement. If the Plan is covered by ERISA, we will perform these investment advisory services to the Plan as a "fiduciary" defined under ERISA Section 3(21).

Retirement Plan Consulting Services are designed to allow our IARs to assist the Sponsor in meeting his/her fiduciary duties to administer the Plan in the best interests of Plan participants and their beneficiaries. Retirement Plan Consulting Services are performed so that they would not be considered "investment advice" under ERISA.

Fiduciary services are provided by Cantella as a fiduciary under ERISA Section 3(21) (A) (ii) and/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 by executing a Retirement Plan Consulting Agreement. Typically through its investment adviser representative, Cantella will provide the sponsor a copy of this Form ADV Part 2A, other relevant disclosure documents and the Retirement Plan Consulting Agreement for review. The Retirement Plan Consulting 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:

#### Discretionary Services – plan sponsor services

The following is a list of fiduciary services that can be 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 Monitoring and Replacement 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 ("Models"): Advisor will create a series of risk-based Models comprised solely among the Plan's DIAs; and, on a periodic basis and/or upon reasonable request, Advisor will reallocate and rebalance the Models in accordance with the IPS or other guidelines approved by 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 monitor and replace the Plan's QDIA(s) in accordance with the IPS or other guidelines established by the plan.

Management of Trust Fund: Advisor will review with Sponsor the investment objectives, risk tolerance and goals of the Plan and provide to Sponsor an IPS that contains criteria from which Advisor will select, monitor and replace the Plan's investments. Once approved by Sponsor, Advisor will review the investment options available to the Plan and will select the Plan's investments in accordance with the criteria set forth in the IPS. On a periodic basis, Advisor will monitor and evaluate the investments and replace any investment(s) that no longer meet the IPS criteria.

#### Non-Discretionary 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 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, Advisor will recommend to Sponsor revisions to align the IPS with the Plan's objectives.

Advice Regarding Designated Investment Alternatives ("DIAs"): Based on the Plan's IPS or other guidelines established by the Plan, Advisor will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting DIAs to be offered to Plan participants. Once Sponsor selects the DIAs, Advisor will, on a periodic basis and/or upon reasonable request, provide reports and information to assist Sponsor with monitoring the DIAs. If a DIA is required to be removed, Advisor will provide recommendations to assist Sponsor with replacing the DIA.

Advice Regarding Model Asset Allocation Portfolios: Based on the Plan's IPS or other guidelines established by the Plan, Advisor will make recommendations to assist Sponsor with creating risk-based Models comprised solely among the Plan's DIAs. Once Sponsor approves the Models, Advisor will provide reports, information and recommendations, on

a periodic basis, designed to assist Sponsor with monitoring the Models. Upon reasonable request, and depending upon the capabilities of the recordkeeper, Advisor will make recommendations to Sponsor to reallocate and/or rebalance the Models to maintain their desired allocations.

Advice Regarding Qualified Default Investment Alternative (“QDIAs”): Based on the Plan's IPS or other guidelines established by the Plan, Advisor will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting or replacing the Plan's QDIA(s).

Advice Regarding Investment of Trust Fund:

Based on the Plan's IPS, Advisor will review the investment options available to the Plan and will make recommendations to assist Sponsor with selecting investments that meet the IPS criteria. Once Sponsor selects the investment(s), Advisor will, on a periodic basis and/or upon reasonable request, provide reports and information to assist Sponsor with monitoring the investment(s). If the IPS criteria require any investment(s) to be replaced, Advisor will provide recommendations to assist Sponsor with replacing the investment(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.

**The following are Retirement Plan Consulting Services (Plan Sponsor Services):**

Assistance with Plan Governance and Committee Education, including:

- Assist Sponsor in reviewing objectives and options available through the Plan
- Review Plan committee structure and administrative policies/procedures
- Review Plan participant education and communication policies under ERISA 404(c)
- Assist with development/maintenance of fiduciary audit file and document retention policies
- Assist with coordinating Plan participant disclosures under ERISA Rule 404(a)
- Developing requirements for responding to Participant Requests for Additional Information
- Attend Periodic Meetings with the Plan Committee (upon request by the Plan Sponsor)

Assistance with Plan Fiduciaries' Vendor Management (covered service providers), including.

- Assist fiduciaries with a process to select, monitor and replace service providers
- Assist fiduciaries with review of Covered Service Providers (“CSP”) and fee benchmarking
- Provide reports and/or information designed to assist fiduciaries in monitoring CSP's
- Review ERISA Spending Accounts or Plan Expense Recapture Accounts (PERAs)
- Assist with preparation and review of Requests for Proposals and/or information

- Coordinate and assist with CSP replacement and conversion

#### Investment Education for Plan Fiduciaries Concerning:

- 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
- Search and Review of Investment Managers

#### Brokerage Services:

- Provide brokerage services to facilitate directives of the Plan and/or Participants.

### **Retirement Consulting Services – Plan Participant Services**

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#### Employee Investment Education and Communication including:

- Facilitate group enrollment meetings and coordinate investment education
- Assist plan participants with Retirement Readiness
- Supporting Individual Participant Questions

#### 6. 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. In providing these optional services, we may offer employers and employees information on other financial and retirement products or services offered by us and our IARs.

#### 7. 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.

#### 8. Co-Advisory Arrangements

Cantella can enter into co-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 account management. Under a co-advisory arrangement, both Cantella and the co-advisor retain investment management and decision making and trade implementation authority. Cantella's co-advisory relationships can be 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 co- advisory account considerations.

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

Cantella provides access to asset management programs offered by other investment advisors serving as through third party asset management programs ("TAMPs") 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 Form ADV 2B Supplemental Brochure from their financial advisor for detailed information about the management personnel responsible for managing client investment portfolios.

#### C. 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.

#### D. Custodian Selection

Cantella's 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.

#### E. Account-based Asset Threshold

Certain investment programs or account types require minimum asset levels. Cantella Classic Gold (\*\*closed to new investors\*\*), CMI unbundled (previously called Cantella Classic Platinum), Opportunity Accounts, Ambassador Accounts and Qualified Retirement Plan Accounts generally require a \$25,000 minimum account size which can be waived at the discretion of the company. A no minimum NTF only Retirement Plan Account option was available but is not closed to new investors. available. These account size minimums are also subject to change at the firm's discretion. For advisory account options at Raymond James, please refer to their account agreements and ADV 2A for minimum asset requirements.

#### F. 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 reasonable 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.

**G. 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 distinguished by the way fees are paid by clients for advisory services 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.

**H. Assets Under Management**

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>
\$ \$691,082,575	\$ \$727,340,174	3/31/2020

**Item 5: Fees and Compensation**

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

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**

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 further below in this Item 5.

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 depending on the advisory program. 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. Please refer to the specific advisory program for the impact of capital contributions and withdrawals on management fees during the billing cycle. 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 prorated 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. The billing schedules, and other fee considerations for these accounts are more fully described below.

Cantella Classic Gold Accounts: **\*\*THIS PROGRAM IS CLOSED TO NEW INVESTORS\*\***:

Clients will compensate Cantella for investment advisory services on an annual basis at the rate set forth in the Classic Gold 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. In this program the client is assessed transaction fees in addition to the annual investment advisory fee. Cantella receives a portion of each transaction fee in addition to receiving an administration fee assessed to your financial professional. As such Cantella has an incentive to recommend clients be in this program and to recommend that they trade frequently. In this program clients will an opportunity to have a professionally prepared risk-based overlay from RiskPro.

<b>Account Asset Value</b>	<b>Annualized Fee</b>
First \$500,000	2.00%
Next \$500,000	1.75%
Over \$1 million	1.50%

CMI Unbundled (Formerly known as Cantella Classic Platinum) available at NFS and Pershing

<b>Account Value</b>	<b>Annualized Fee</b>
First \$100,000	
Next \$400,000	
Next \$500,000	
Over \$1,000,000	

The Advisory Fee will be paid in advance on a monthly basis. The Advisory Fee will initially be calculated based on the days from inception to the end of the month based on the inception value (*i.e.*, closing market value of all Account assets, including cash, money market funds, and dividend reinvestments). 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.

In addition to the advisory fee charged to the client, your advisor will pay a transaction fee for each trade done in your account. This presents a conflict of interest as your advisor may be incentivized to reduce his overall costs by not trading in your account. Cantella mitigates this conflict by monitoring for low trade activity in advisory accounts. In addition Cantella charges a program fee to your financial advisor which is an additional source of revenue for the Firm. As such we have an incentive to recommend that you open accounts within this program.

Clients participating in this program, with the exception of a small number of legacy Cantella Classic Platinum high net worth clients whose accounts aren't flowing through the RiskPro system will an opportunity to complete a Risk Profile Questionnaire.

#### Pershing Advisor Solution – Advisor as Portfolio Manager

Accounts are billed monthly in arrears. The advisory fee will be based on average daily balance for the billing period (*i.e.* closing market value of all Account assets, including cash, money market funds, and dividend reinvestments). Client pays transaction fees in addition to an annualized advisory fee. Neither Cantella nor your financial advisor receives a portion of these transaction fees. Cantella assessed a program fee to your financial advisor. As such, Cantella has

an incentive to recommend that you participate in this program. Clients will an opportunity to have a professionally prepared risk-based overlay from RiskPro

<b>Account Asset Value</b>	<b>Investment Advisor Fee</b>
First \$100,000	
Next \$400,000	
Next \$500,000	
Next \$1,000,000	
Next \$3,000,000	
Over \$5,000,000	

- Opportunity Accounts (Available only through Raymond James)

An Opportunity Account ("Opportunity ") is an investment advisory account custodied at Raymond James, managed by your financial professional on a non-discretionary or discretionary basis, provided certain qualifications are met. You will be provided with ongoing investment advice and monitoring of your securities holdings by your Financial Professional. Opportunity offers you the ability to pay an asset based advisory fee and a per transaction fee for each trade executed. Neither Cantella, nor your financial professional will be compensated for any transaction fee.

The Advisory Fee will be payable quarterly in advance. When the Account is opened, the Advisory 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 Advisory 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.

If cash or securities, or a combination thereof, amounting to at least \$100,000 are deposited to or withdrawn from Client's Account on an individual business day in the first two months of the quarter, Client authorizes Adviser to: (i) assess Advisory Fees to the deposited assets based on the value of the assets on the date of deposit for the pro rata number of days remaining in the quarter, or (ii) refund prepaid Advisory Fees based on the value of the assets on the date of withdrawal for the pro rata number of days remaining in the quarter

No additional Advisory Fees or adjustments to previously assessed Advisory Fees will be made in connection with deposits or withdrawals that occur during the last month of the quarter unless requested by Client. Notwithstanding the above, Raymond James reserves the right, in its sole discretion, to process or not process fee adjustments, as applicable, when the source and destination of deposits and withdrawals involve Client's other fee-based advisory accounts. In addition, the Firm may, in its sole discretion, take any action it considers fair and reasonable with respect to the application of fee adjustments based upon its review of the timing and amounts of deposits to and withdrawals from Client's Account. All fees paid to Adviser will be reported to Client on the regular statements provided by Raymond James & Associates.

<b>Fee Based Relationship Value</b>	<b>Maximum Annualized Fee</b>
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 (Available only through Raymond James)

The Ambassador Account is a wrap fee investment advisory account in which you are provided with ongoing investment advice and monitoring of securities holdings by your Financial Professional. Your Financial Professional will supervise your account on a non-discretionary basis (or advise on a discretionary basis, provided certain qualifications are met), according to your objectives. In this account you will pay an asset-based advisory wrap fee. Cantella receives a portion of the program fee. This is a conflict of interest as we have a financial incentive to recommend you participate in this program.

The Advisory Fee will be payable quarterly in advance. When the Account is opened, the Advisory 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 Advisory 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. If cash or securities, or a combination thereof, amounting to at least \$100,000 are deposited to or withdrawn from Client's Account on an individual business day in the first two months of the quarter, Client authorizes Adviser to: (i) assess Advisory Fees to the deposited assets based on the value of the assets on the date of deposit for the pro rata number of days remaining in the quarter, or (ii) refund prepaid Advisory Fees based on the value of the assets on the date of withdrawal for the pro rata number of days remaining in the quarter. No additional Advisory Fees or adjustments to previously assessed Advisory Fees will be made in connection with deposits or withdrawals that occur during the last month of the quarter unless requested by Client.

Notwithstanding the above, Raymond James & Associates reserves the right, in its sole discretion, to process or not process fee adjustments, as applicable, when the source and destination of deposits and withdrawals involve Client's other fee-based advisory accounts. In addition, RJA may, in its sole discretion, take any action it considers fair and reasonable with respect to the application of fee adjustments based upon its review of the timing and amounts of deposits to and withdrawals from Client's Account.

<b>Fee Based Relationship Value</b>	<b>Maximum Annualized Fee</b>
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%

We advise you to read the terms of the Ambassador application and the [RJA Wrap Fee Program Brochure](#), from the platform sponsor, for specific details on this account.

## 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 negotiated 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.

### B. 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 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 for investment in TAMP program can be acquired by clients outside of a TAMP program through Cantella or through other broker-dealers or registered investment advisers not affiliated Cantella or the TAMP. The fees and costs associated with obtaining these services and investment outside of the TAMP program may be less than those acquired through the TAMP program.

### C. Other Fees Paid by Clients

In addition to the advisory fee you pay, certain products have additional embedded costs. These include open and closed end mutual funds, exchange-traded products (e.g. ETFs, ETNs), unit investment trusts (UITs), and other products. Some of these charges are indirectly paid to the companies that sponsor, manage, and/or promote the investment. Some of these payments are shared with us or our clearing firms. These payments are deducted from your investment and reduce total investment returns, but the fee deduction is usually not itemized.

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

Depending upon your account and relationship, you may also incur periodic account maintenance or IRA custodial fees, as well as processing, service, and account fees upon certain events or occurrences. You will incur interest charges if you borrow margin using a securities-based loan in any of your accounts. We negotiate these charges and you may pay more or less for comparable services than at another firm. We also set the pricing in most cases, and part of our business model includes deriving profit from these fees. We may also receive rebates from our clearing firms that are calculated based on all or a portion of these

During periods of lower trading activity, the advisory fee may be higher than the transaction charges you would have paid in a brokerage account. We encourage you to discuss your options with your financial professional in order to determine whether an investment advisory account is appropriate for you, including which type of advisory account. You should carefully review the value of the advice and scope of services you would be getting in an advisory relationship versus a brokerage account.

#### D. Other Compensation Paid to Cantella

##### 1. Mutual Fund Share Class Considerations.

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. Some of these expenses, commonly called “trailing” fees or “12b-1 fees” are paid in whole or in part to broker-dealer, investment advisers, and registered persons. Institutional, retirement and advisory share classes typically have lower expense ratios, do not incorporate 12b-1 fees and are less costly for a client to hold than other share classes that may be eligible for purchase in an advisory account. Mutual funds that offer institutional, retirement or 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. Because of these limitations, clients may be able to obtain mutual funds at a lower cost through advisors other than Cantella.

There is a conflict of interest with respect to Cantella and its financial advisors receiving the aforementioned 12b-1 fees in addition to the investment advisory fee paid by clients. This conflict influences Cantella or financial advisors to recommend mutual funds paying 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. 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. In an effort to ensure that clients are in the lowest cost share class Cantella monitors an exception report to identify instances where a cheaper share class is available to the client.

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.

## 2. No Transaction Fee Mutual Fund Program Considerations.

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. NTF funds may also assess a 12b-1 fee which is paid to the clearing firm at which your account is held (your account custodian). While Cantella does not receive these 12b-1 payments, they result in higher overall costs to you, our clients. 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.

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. Cantella mitigates the impact of this conflict of interest by educating its financial advisors of the generally accepted use of NTF funds and conducting surveillance to monitor for adherence to these generally accepted use principles. In general, NTF funds are less expensive than load-bearing funds where the client intends to hold the fund for a period of years.

Across our Certain mutual funds impose a mutual fund surcharge assessed to your financial advisor. This is a conflict of interest as your advisor has an incentive to recommend a mutual fund without a surcharge.

## 3. Clearing/Execution Compensation and Payments on Account Balances.

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. Additionally, as an introducing broker-dealer, Cantella marks up account and custodial fees of its clearing broker-dealers, paid by clients, or by clients' advisors, such as wire fees, confirmation fees and other account or transaction-based charge to compensate Cantella for the cost of its resources utilized in processing the transactions and to generate additional profit for Cantella .

This is a conflict of interest in that Cantella generally requires that a client direct brokerage transactions to us for trade execution and account custody and Cantella has discretion to direct its clearing firms to mark-up certain fees. Cantella receives these mark ups indirectly from your

account and this arrangement provides a financial incentive for Cantella to maintain its relationship with its clearing broker so that it may continue to receive these mark ups.

Depending upon your account and relationship, you may also incur periodic account maintenance or IRA custodial fees, in addition to processing, service, and account fees upon certain events or occurrences. You will incur interest charges if you borrow margin using a securities-based loan in any of your accounts. We negotiate these charges and you may pay more or less for comparable services than at another firm. We also set the pricing in most cases, and part of our business model includes deriving profit from these fees. We may also receive rebates from our clearing firms that are calculated based on all or a portion of these fees. For additional information on fees please refer to our Brokerage Account Fee Schedule under the Disclosures page of [www.cantella.com](http://www.cantella.com)

Cantella has a duty to provide the best execution services to its clients and to seek the best execution from custodians for its clients. Cantella routinely reviews qualitative and quantitative best execution statistics relative to its custodians and the overall custodial industry to mitigate the conflict of interest.

Cantella urges clients to discuss with their financial advisor whether lower cost share classes, account types, or custodial arrangements 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 purchases and sales, whether clients will pay higher internal fund expenses in lieu of transaction charges that could adversely affect long-term performance, other holdings, asset aggregation discounts, and relevant tax considerations. An advisor may recommend, select, or continue to hold a fund share class, account type or custodial arrangement that is more costly than other available options due to the factors discussed above.

#### 4. TAMP Program Considerations.

With respect to accounts referred by Cantella to a TAMP or co-adviser, that manager or co-adviser, 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 TAMP's or co-adviser'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.

#### 5. Other Compensation Paid to Financial Advisors.

Cantella employees and financial professionals receive non-cash compensation from investment sponsors or its clearing firms that is not in connection with any particular customer or investment. Compensation includes such items as gifts valued at less than \$100 annually, an occasional dinner or ticket to an event, or reimbursement in connection with educational meetings, customer workshops or events, or marketing or advertising initiatives, including services for identifying prospective customers. Financial advisors are eligible to receive other benefits. These benefits present a conflict of interest because the financial professional has an incentive to remain a registered representative of Cantella in order to maintain these benefits instead seeking another firm to with which to work. These benefits include eligibility for practice

management support and enhanced service support levels that give a variety of benefits, conferences (e.g., for education, networking, training, and personal and professional development), and other non-cash compensation. Such benefits also include, reduced ticket charges, free or reduced-cost marketing assistance reimbursement or credits of fees that financial professionals pay to Cantella for items such as administrative services or technology, and payments that can be in the form of repayable or forgivable loans (e.g., for retention purposes or to assist a financial professional grow his/her securities practice). If Cantella makes a repayable loan to a new or existing financial professional, there is also a conflict of interest because Cantella's interest in collecting on the loan affects its ability to objectively supervise the financial professional. Cantella mitigates this conflict by adhering to its written supervisory procedures and issuing the appropriate disciplinary action, which could include the termination of the financial professional's association with Cantella.

If a financial advisor recently became associated with Cantella after working with another financial services firm, he/she may have received recruitment compensation from Cantella in connection with the transition. In many cases, this transition assistance includes payments from Cantella that are commonly intended to assist a financial professional with costs associated with the transition; however, Cantella does not verify that any payments made are actually used for transition costs. These payments can be in the form of repayable or forgivable loans, and may have favorable interest rate terms, as compared to other lenders. The amount of the loan may be related to the overall amount of assets under management by the financial professional at his or her prior firm. Such payments are generally based on the amount of assets under management at the financial professional's former firm and the projected amount of assets that will be transferring to Cantella. The receipt of this compensation creates a conflict of interest in that the financial professional has a financial incentive to recommend that a client open and maintain an account with Cantella for advisory, brokerage and/or custody services, and to recommend switching investment products or services where a client's current investment options are not available through Cantella, in order to receive a of benefit or payment.

We and your financial professional are compensated based on the amount of assets in your account, it creates an incentive for us to increase your assets or engage in transactions that result in higher total assets in your account.

Under some programs, your financial professional pays Cantella a charge for each trade executed. This creates an incentive for your financial professional to trade less frequently to retain more compensation.

We and/or our Financial Professionals also receive benefits such as assistance with conferences and educational meetings from product sponsors. In addition, the firm and/or our investment adviser representatives may receive cash and non-cash marketing assistance from product sponsors.

Your advisor's primary compensation is composed of his or her "total production," which is based on the total assets he or she manages ("Assets Under Management"), and commissions and trails he or she receives. Commissions and trails paid to an advisor are a percentage of the Gross Dealer Concessions ("GDC") Cantella receives when an advisor's client purchases securities through us. Our compensation grid is investment neutral, meaning the percentage of the compensation from any given transaction your advisor receives does not vary based on the

investment recommended. Your advisor's payout percentage is adjusted depending on your advisor's total production. Therefore, financial professionals have an incentive to increase their assets under management. The potential to receive higher payout percentage adjustments incentivizes your advisor to encourage more trading or recommend the purchase of additional investments that increase your advisor's total production and payout percentage. This conflict grows as your advisor approaches specific Firm production thresholds that will increase the percentage of the GDC he or she receives.

#### 6. Model-related Compensation.

The Cantella Tactical Advisory model and Cantella Leveraged US Opportunities Advisory model are premium strategists available on our bundled CMI platform. These strategists are available at an additional cost to the client as noted in our bundled CMI brochure. Neither Cantella, nor your financial advisor shares in this additional fee.

#### 7. Compensation Relating to Outside Business Activities.

Cantella has a number of financial advisors licensed to sell insurance and annuity investment products to clients. This arrangement presents a conflict of interest and gives the financial advisor an incentive to recommend insurance products based on the compensation received, rather than the client's needs. Cantella mitigates the inherent conflict of interest by requiring its registered persons to channel certain insurance activity, specifically that which contains "securities" or "investment" components through Cantella for a suitability review and approval. Cantella does not require your advisor submit traditional insurance products (such as life, accident and health) to us for a review and approval, in most cases your advisor is paid directly for these product sales and therefore has an incentive to recommend these products to you in an effort to avoid giving a portion of the money they earned from selling this product to Cantella.

Cantella financial professionals have the option of utilizing a field marketing organization to sell traditional and indexed insurance products. Cantella receives payment for business placed through these field marketing organizations. This creates an incentive for Cantella encourage financial professionals to place business through these field marketing organizations. Compensation may include payments made in connection with Cantella's marketing and sales-force education and training efforts, including Cantella's sales and education conferences. Cantella receives commissions and trail payments.

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. If your advisor engages in any outside business activities, these activities may cause your advisor to spend more time on the outside business activity rather than on his or her relationship with you. You may research any outside business activities your advisor may have on FINRA's website at <https://brokercheck.finra.org/> You can also find additional information on these outside business activities in your advisor's ADV Part 2B document. You advisor will provide this to you upon request.

#### E. 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**

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

##### A. 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. Tactical 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.

## B. 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. Cantella will allow for leveraged ETFs purchased under third party managed accounts only. In rare circumstances Cantella will allow these positions to be transferred in from other firms.
- 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.

### C. 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. Other investment advisers may hold opinions of the financial markets, investment philosophies, or investment models that differ from those maintained by Cantella, and these differences result in a degree of risk. 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 security.

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 be 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 itself 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 whereby 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 investment companies 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. The Firm was found to have violated Section 206 (2) of the Investment Advisers Act of 1940, was censured and ordered to pay total disgorgement and prejudgment interest of \$919, 596.90. While neither admitting nor denying the findings of the Order, and while the Firm disclosed that we may receive 12b-1 fees, it was found that we did not adequately disclose to its clients the conflicts of interest related to its receipt of 12b-1fees and/or the selection of mutual fund share classes.. The Firm was also required to update all relevant disclosure documents, evaluate and transition clients in higher paying share classes to a lower cost share class, evaluate its policies and procedures in connection with disclosures regarding mutual fund share class selection and notify affected investors. 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. Many Cantella financial advisors are dually registered as registered representatives and must disclose this to clients as it poses a conflict of interest. Information about this conflict of interest can be found in Item 5 of this Brochure.

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. Information about this conflict of interest can be found in Item 5 of this Brochure.

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. Information about this conflict of interest can be found in Item 5 of this Brochure.

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.

Cantella has retained the services of a board member who is also an executive employee of a vendor of goods and services to Cantella and its clients. The agreement between Cantella and the vendor, including the economic terms of the agreement, were negotiated prior to the board member's employment by the vendor.

### **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. 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 US Equity and Cantella US Leveraged Opportunities are premium strategists available to clients, who wish to use these strategists for an additional fee, as part of our CMI bundled program. Neither Cantella nor your financial advisor receives any additional compensation if a client chooses either of these strategists.

Personal Trading. Cantella and/or its financial advisors buy or sell securities for itself/themselves which they also recommend to clients. This results mainly from the fact that financial advisors invest their own assets the same way they invest the assets of their clients. Cantella monitors its advisors' trading activity to mitigate instances where the client does not receive a favorable purchase or sale provide compared to that received by the financial advisor for a trade made on the same day as the client.

### **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 custody and clearing arrangements in which Cantella has established include NFS, Raymond James, PAS 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 clear 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 whether it or a related person receives client referrals from a broker-dealer or third party when in selecting broker-dealers for trade execution.
3. Direct Brokerage.
  - All advisory 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 adviser may not be able to service the client account.
  - In cases where a client directs brokerage transactions away from Cantella, 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 adviser a fee plus directing the placement of brokerage transactions, the total costs would be higher rather than opening the account through Cantella.
  - Money managers (“Managers”) within our SMA offerings through Managed Account Command, Managed Account Solutions (\*\*closed to new investors\*\*) and Raymond James the Manager may select the broker/dealers that execute trade orders for client accounts. As an investment adviser, a Manager has an obligation to seek “best execution” for client trade orders. The Manager must place client trade orders with those broker/dealers that the Manager believes are capable of providing the best qualitative service, taking into account the full range and quality of the services offered by the broker/dealer, including, but not limited to, the broker/dealer’s execution capabilities, the broker/dealer’s financial stability, and the broker/dealer’s responsiveness to the Manager. A Manager’s best execution obligation does not require the lowest available cost to be obtained for trade orders. Clients should

understand that Cantella does not evaluate whether a Manager is meeting its best execution obligations when trading away, as it is not a party to those transactions and is not able to negotiate the prices obtained or transaction-related charge(s) assessed between the Manager and the executing broker or dealer. The responsibility to determine whether to trade away arises out of a Manager's individual fiduciary duty to clients and its trading expertise.

Managers may place client trade orders with a broker/dealer other than Cantella if they determine they must do so to comply with their best execution obligations. This practice is frequently referred to as "step-out trading."

Step-out trades may be executed without additional cost, but in certain instances, the executing firm may impose a commission, markup, markdown, or other charges for executing the transaction. If a Manager engages in a step-out trade and the executing broker/dealer assesses a commission or equivalent fee on the trade, the client will incur trading costs that are in addition to the annual fees paid by the client to participate in the Program. In such cases, the net purchase or sale price reflected to the client will include the additional cost of the brokerage commissions or dealer markups/markdowns charged by the executing broker. Managers may reasonably believe that they are able to achieve better trading results by trading away. Step-out trading practices differ from Manager to Manager. Some Managers do not engage in step-out trading, while others step out all transactions at no additional cost or for various additional costs.

Managers who engage in step-out trades may be more costly to a client than Managers who do not engage in step-out trades. Clients should review the Manager's Form ADV Part 2A Brochure, inquire about the Manager's trading practices and associated trading costs, and consider this information carefully before selecting a Manager. Past trading practices and historical data is not meant to be indicative of the current frequency with which Managers trade away or the related costs of such trades. A Manager's past practice is not a guarantee that the Manager will follow the same practice in the future.

#### 4 Trade Aggregation

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.

#### 5 Cash Sweep Program.

Cantella provides clients with access to different cash sweep vehicles at each custodian, including certain money market funds that are used to automatically invest cash balances

awaiting investment, in both transaction-based and advisory accounts. Cantella offers money market funds (“sweep funds”) and FDIC insured bank deposit (“bank sweep”) products whose shares are automatically purchased and redeemed in your account. You can find out which sweep vehicles are available by checking with your financial advisor or by calling us at (800) 652-8358. You may also contact us for a free prospectus on any sweep fund or disclosure document on any bank sweep product available to you through our firm.

For accounts custodied at NFS and Pershing, Cantella receives payments directly tied to the amount of our clients’ cash that is invested into bank sweep and most sweep funds. We have an incentive to recommend the sweep vehicle that provides the greatest payment to Cantella. Our compensation is paid out of the sweep funds’ assets or bank sweep return, which means that our payments reduce your rate of return.

For accounts custodied at Pershing, Cantella offers an FDIC insured bank sweep. Cantella selects from a menu of structures that offer clients varying yields based on each client’s bank sweep balance, and Cantella also receives varying compensation tied to each client’s investment amount. We currently offer the structure that pays all clients the same yield and pays Cantella a flat percentage of assets invested across all clients.

For accounts custodied at Pershing, Cantella receives fees based on the asset levels within each sweep fund across all clients, and aggregated within pricing groups. This structure gives us an incentive to recommend more clients invest in specific pricing groups because we receive greater compensation as our aggregate client investments increase. These payments will have a negative impact on your rate of return. There are other available sweep options with higher rates of return.

For accounts custodied at NFS, Cantella receives fees based upon the asset levels within each sweep fund. These fees have a negative impact on your rate of return. There are other available sweep options with higher rates of return. Any sweep revenue sharing payments received from our custodians are paid to us from the earnings on your uninvested cash or the assets within the sweep vehicle. This conflict provides an incentive for us to recommend that you keep greater cash balances in order to receive this additional compensation. The revenue sharing means that our cash sweep options pay less in earnings to you than other firms.

Cantella mitigates this conflict by reserving the right to default you to the cash sweep vehicle with no revenue sharing payment to our firm. Should you select a sweep option with a revenue sharing payment, we reserve the right to credit you back these revenue sharing payments.

For advisory accounts held at Raymond James, Cantella does not share in revenue payments with Raymond James on cash sweep vehicles, which include a bank sweep product (Raymond James Bank Deposit Sweep Program (“RJBDP”)) and a free credit interest program (Client Interest Program (“CIP”)). CIP balances are held by Raymond James and are not invested in a sweep fund or bank sweep.

Although money market sweep funds generally seek to preserve the value of your investment at \$1 per share, it is possible to lose money by investing in them. Sweep funds are not FDIC-insured and are not obligations of any bank. Cantella is a member of the Securities Investor Protection Corporation (SIPC). SIPC provides member institutions coverage up to \$500,000 (including \$250,000 for claims of cash) per brokerage client in each recognized capacity when

aggregated with other securities and cash held by the same brokerage client in the same capacity at the same member institution. Money market funds can lose value and have done so in the past. Market losses in money market funds are not covered by SIPC or FDIC.

Bank sweeps have FDIC coverage limits, depending on the specific program selected. Please consult your financial advisor for current coverage limits. Bank sweeps are protected against losses up to the FDIC coverage limit. Free credit balances, such as Raymond James CIP, are protected by SIPC only, and are not a bank obligation protected by FDIC insurance.

It is important to discuss your options with your financial professional as they can help determine the right sweep option for you. You should review the prospectus or disclosure document carefully before investing or sending money.

Clients should discuss their money market sweep selection with their financial advisor.

### **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. Please refer to Items 4 and 5 for further details.

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.

### **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)

**June 30, 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**

In Item 4, we renamed the components of the advisory fee documented in the tables within the Program Fee Schedule. Specifically, the firm made corrections to the fee headers within the SMA program, Advisor Flex, LAAP and LIS programs.

The Firm added language to the Portfolio Manager's Fee section

The firm added language to the Items not Included in the Wrap Fee Section.

Clients should also review disclosure documents from other sponsors of wrap fee advisory programs, for example, Cantella's account custodians, for the most complete and current information about those programs. Those sponsors may change those programs without consulting with or notifying Cantella. Clients should also review Cantella's Form ADV Part 2A Disclosure Brochure to which this appendix is attached, as it contains important information about Cantella and its advisory programs.

**Item 3 Table of Contents**

Item 2: Material Changes ..... 37  
Item 3 Table of Contents ..... 38  
Item 4: Services, Fees and Compensation ..... 39  
Item 5: Account Requirements and Types of Clients ..... 43  
Item 6: Portfolio Manager Selection and Evaluation ..... 43  
Item 7: Client Information Provided to Portfolio Managers ..... 44  
Item 8: Client Contact with Portfolio Managers ..... 44  
Item 9: Additional Information ..... 44

#### **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”); and (iv) AdvisorFlex Portfolio (“AFP”) 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.

- B. 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 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 sponsor 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. This receipt of compensation to us is a conflict of interest as you may find lower cost similar alternatives at another firm or through another one of our program offerings.

<b>SMA Asset Level</b>	<b>Sponsor Fee- Equities</b>	<b>Sponsor 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>Portfolio Manager's Fee</b>
First \$500K	.40%
Next \$500K	.35%
Over \$1 million	.25%

<b>LAAP Asset Level</b>	<b>Portfolio Manager's 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>Portfolio Manager's Fee</b>
First \$500K	.75%
Next \$500K	.55%
Next \$4 million	.40%
Next \$5 million	.35%
Next \$10 million	.30%

Portfolio Manager's Fee. Lockwood enters into a contract with each Portfolio Manager for the day-today management of your account(s). Portfolio Manager fees vary because each Portfolio Manager sets its own fee. If the account is invested in the SMA program, the portfolio manager will assess a fee for their portfolio management services. Cantella receives a portion of the manager and as such has a financial incentive to recommend you open an account in this program when other similar, lower cost offerings may be available to you at another firm or through another program.

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.

- C. 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 quarter based on the inception value. Subsequent fees will be calculated based upon the previous quarter's end value. No fee adjustments will be made for contributions or withdrawals of funds until adjustments are made as reflected in the next quarterly statement. Cantella will deduct all fees directly from the account. All fees will be reported to clients on their statements.
- D. 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.
- E. 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.

If you are invested in an SMA and your account holds mutual funds, your account may be charged a \$10.00 surcharge for each purchase and sale transaction in the mutual funds of certain mutual fund families ("Mutual Fund Surcharge"). The Mutual Fund Surcharge is in addition to your Asset Based Fee or SMA Program Fee and will be listed on your custodial statement. You will not be charged a Mutual Fund Surcharge for your LIS, LAAP or AFP accounts.

Pershing LLC, is an SEC registered broker-dealer that provides clearing and custody services for the Lockwood programs. When a portfolio manager places trade orders with a broker-dealer firm other than Pershing, the resulting transaction is commonly referred to as a “trade away” or “step out,” because it is done away from the Lockwood platform. Portfolio managers can execute these “step out” transactions for equity securities, including America Depositary Receipts (ADRs), and for fixed income securities. The Program Fees above do not cover transaction charges or other charges, including commissions, markups and markdowns, resulting from trades effected through or with a broker-dealer other than Pershing, which is the custodian. For this reason, the Portfolio Manager you have selected may determine that placing your trade orders with Pershing is in your best interest. Your Portfolio Manager may, however, place your trade orders with a broker-dealer firm other than Pershing if your Portfolio Manager believes that doing so is consistent with its obligation to obtain best execution. This is frequently referred to as “trading away” or “step out trades.” The Portfolio Manager – and not Lockwood – decides as to when it trades with Pershing or away from Pershing. Lockwood does not restrict a Portfolio Manager’s ability to trade away, as the Portfolio Manager’s fiduciary duty to you, as well as its expertise in trading its portfolio securities, makes the Portfolio Manager responsible for determining the suitability of trading away from Pershing.

In some instances, step out trades are executed without any additional commission, mark-up, or mark-down, but in many instances, the executing broker-dealer may impose a commission or a mark-up or mark-down on the trade. In addition, some Portfolio Managers executing trades in US Treasuries will incur a system cost from the portal through which the trades are processed. These trading costs are not covered by the Program Fee and will likely result in additional costs to you, although these additional trading costs may not be reflected on trade confirmations you receive or on your account statements. Typically, the executing broker will embed the added costs into the price of your trade execution, making it difficult to determine the exact added cost for your transaction executed away from your account custodian.

You should review the Form ADV Part 2A Brochure of the Portfolio Manager you have selected for more information regarding that Portfolio Manager’s brokerage practices and conflicts of interest and consider the additional expenses that you may incur. Also, as part of the review of your Portfolio Manager’s disclosure and expected fees, you should also discuss the Portfolio Manager’s practices regarding “trade away” or “step out trades” in order to determine how often they engage in such practices and how they seek to ensure that you receive best execution for those transactions when they decide to do so.

Certain Portfolio Managers which offer international investment styles may purchase securities on foreign exchanges (known as “Ordinaries”), which may be held in your account as Ordinaries or may be converted to American Depositary Receipts (“ADRs”) prior to being added to your account. Portfolio Managers may include exposure to both domestic and foreign stocks in order to achieve greater diversification with the goal of increasing the likelihood that a portfolio’s overall investment returns will have less volatility. The reason is because international investment returns sometimes move in a different direction than U.S. market returns. Even when international and U.S. investments move in the same direction the degree of change may be different. You should balance these considerations against the possibility of higher costs, sudden changes in value, and the special risks of international

investing. International investing in various products can be more expensive than investing in U.S. companies.

#### **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

- 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, Custodial, and Qualified Plan**  
**Wrap Fee Program Brochure**

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

June 30, 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).

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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**

The Firm added references to Custodial Programs in several places to account for programs sponsored by one or more of our clearing firms that we make available on our platform. Clients are urged to refer to the sponsors wrap fee brochure for full information on these programs.

In Item 4 the firm added language regarding Retirement Plan Account services under services being provided.

In Item 4, the fee tiers for the retirement plan accounts have been updated.

In Item 4, the firm added language regarding payment options for Qualified Retirement Accounts.

In Item 4, the firm added language regarding Plan Sponsor considerations when evaluating fees.

In Item 4, the firm added language to the program fee section.

Item 5, the firm added new language to the Minimum Account Size section.

Clients should also review disclosure documents from other sponsors of wrap fee advisory programs, for example, Cantella's account custodians, for the most complete and current information about those programs. Those sponsors may change those programs without consulting with or notifying Cantella. Clients should also review Cantella's Form ADV Part 2A Disclosure Brochure to which this appendix is attached, as it contains important information about Cantella and its advisory programs.

**Item 3: Table of Contents**

Item 2: Material Changes ..... 2  
Item 3 Table of Contents ..... 3  
Item 4: Services, Fees and Compensation ..... 5  
Item 5: Account Requirements and Types of Clients ..... 6  
Item 6: Portfolio Manager Selection and Evaluation ..... 8  
Item 7: Client Information Provided to Portfolio Managers ..... 8  
Item 8: Client Contact with Portfolio Managers ..... 8  
Item 9: Additional Information ..... 8

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

Cantella provides financial advisor-directed, strategist-directed investment management and investment advisory services through several programs, including the Cantella Managed Investments Program (“now known as CMI bundled”), programs made available to Cantella and other investment advisers by Cantella’s qualified custodians (“Custodial Programs”), and Qualified Retirement Plan Program (“Qualified Plan”).

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.
- Services available through our Qualified Retirement Plan Program are detailed in Item 4, Advisory Business, 5. Retirement Services

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 Light option, broader access to strategist-directed investment management and account analysis is available through RiskPro.

CMI Account Options. Accounts can be opened at NFS, Pershing and Raymond James. 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 bundled 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 (only available in the full version of CMI).
- 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 (only available in the full version of CMI).

In CMI, clients can invest in a wide variety of investment products, including exchange traded

products, fixed income investments, mutual funds, and individual stocks.

Cantella has co-advisory relationships on the CMI platform. Please refer to “Co-Advisory Relationships” under Item 4. Advisory Business within the main brochure for information on this type of relationship.

**Custodial Program Account Options.** Cantella uses National Financial Services, Pershing Advisory Solutions, Pershing LLC and Raymond James Financial Services as its qualified custodians. Each of these custodians sponsors wrap fee programs that they make available to investment advisers that custody assets on their custodial platforms. In these cases, Cantella is also a sponsor of the programs but is not the portfolio manager. Clients considering a Custodial Program account are provided with the qualified custodians’ wrap fee brochure and must review that document for important disclosures regarding that account program. Additionally please refer to the Sub-Advisory Relationships under Item 4. Advisory Business within the main brochure.

Fees.

Clients will compensate Cantella for investment advisory services on an annual basis at the rate set forth in the Investment Advisory Client Agreement. For CMI bundled accounts, the Advisory Fee will be paid monthly in advance. The Advisory Fee will initially be calculated based on the days from inception to the end of the month based on the inception value (*i.e.*, closing market value of all Account assets, including cash, money market funds, and dividend reinvestments). 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. 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. Clients participating in the Qualified Retirement Accounts Program also have the option of paying a one-time flat fee or an annual flat fee.

For CMI bundled accounts and Retirement Plan accounts, the maximum wrap fee that can be assessed to clients is 2.0%. . Clients will have the ability to complete a Risk Profile Questionnaire

<b>ADVISORY FEE SCHEDULE</b>			
<b>Account Value</b>	<b>Advisor Fee (includes program fee)</b>	<b>Strategist Fee (premium strategist only)</b>	<b>Total Client Advisory Fee</b>
First \$100,000			
Next \$400,000			
Next \$500,000			
Over \$1,000,000			

Sponsors receiving Retirement Plan Services may pay more than or less than a client might otherwise pay

if purchasing the Retirement Plan Services separately or through another service provider. There are several factors that determine whether the costs would be more or less, including, but not limited to, the size of the Plan, the specific investments made by the Plan, the number of or locations of Plan participants, services offered by another service provider, and the actual costs of Retirement Plan Services purchased elsewhere. In light of the specific Retirement Plan Services offered by us, the Fees charged may be more or less than those of other similar service providers.

All Fees paid to us for Retirement Plan Services are separate and distinct from the fees and expenses charged by mutual funds, variable annuities and exchange-traded funds to their shareholders. These fees and expenses are described in each investment's prospectus. These fees will generally include a management fee, other expenses, and possible distribution fees. If the investment also imposes sales charges, a client may pay an initial or deferred sales charge. The Retirement Plan Services we provide may, among other things, assist the client in determining which investments are most appropriate to each client's financial condition and objectives and to provide other administrative assistance as selected by the client. Accordingly, the client should review both the fees charged by the funds, the fund manager, the Plan's other service providers and the fees charged by us to fully understand the total amount of fees to be paid by the client and to evaluate the Retirement Plan Services being provided.

For Custodial Program accounts, the maximum wrap fee is expressed in the qualified custodians' wrap fee brochure.

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 charged to your advisor as part of its Wrap Fee program. The program fee offsets the cost of strategist recommendations, account administration, Risk Pro processing, trade placement and other execution services. This is a revenue source for Cantella and as such we have a financial incentive to encourage you to open an account on this platform. Other firms will have similar offerings at a lower or higher cost to you. We also offer other wrap fee alternatives which may be more or less expensive to you.

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 two strategies are subject to additional strategist fees as follows:

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

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 according to the practices of the custodian. 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.

For billing procedures relating to Retirement Plan Consulting Services please refer to the Retirement Plan Consulting Agreement. This includes information on fee calculations and the calculation of termination fee.

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. There is 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. The Qualified Plan no-transaction fee fund program ("NTF Program") offered through and custodied at Pershing is closed to new investors. Account minimums are subject to increase and decrease at the discretion of a program sponsor. Clients should refer to the qualified custodians' wrap fee brochure for information about account minimums for Custodial Program accounts.

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. Our Retirement Plan Services are available to clients that are sponsors or other fiduciaries to plans, including 401(k), 457(b), 403(b) and 401(a) plans. Plans include participant-directed defined contribution plans and defined benefit plans. Plans may or may not be subject to ERISA.

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

- A. Cantella uses other investment advisers as model managers for the CMI models. Information regarding Cantella's use of portfolio managers can be found in its ADV Brochure that this appendix supplements.

RiskPro conducts due diligence analysis and ongoing monitoring with respect to strategists of models available on the RiskPro platform. Cantella monitors RiskPro to ensure that RiskPro is conducting ongoing reviews.

For strategists 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 external model managers and strategists on the CMI platform. The only information that is shared with the external model managers and strategists is portfolio values. Please also consult other sponsors ADV 2A and additional wrap fee brochures for additional information on information sharing.

## **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.