

STATE OF NEW JERSEY
BUREAU OF SECURITIES
153 Halsey Street
P.O. Box 47029
Newark, New Jersey 07101

IN THE MATTER OF :
 :
Cantone Research, Inc. (CRD NO. 26314), :
 :
 : SUMMARY
 : PENALTY ORDER
Respondent. :

Pursuant to the authority granted to the Chief of the New Jersey Bureau of Securities¹ (“Bureau Chief”) by the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89 (“Securities Law”) and certain regulations thereunder, and based upon documents and information obtained during the investigation by the New Jersey Bureau of Securities (“Bureau”), the Bureau Chief hereby finds that there is good cause and it is in the public interest to enter this Summary Penalty Order (“Order”) against Cantone Research, Inc. and makes the following findings of fact and conclusions of law:

FINDINGS OF FACT

1. Cantone Research, Inc. (CRD No. 26314) (“CRI”), with a principal place of business in Tinton Falls, New Jersey, has been registered with the Bureau as a broker-dealer since 1990.

¹ Deputy Bureau Chief Amy G. Kopleton is referred to as the Bureau Chief in this matter.

2. On May 5, 2020, the Bureau sent CRI a request for information and documentation as to eighteen items (the “Information Request”), which required CRI to produce certain documents to the Bureau by May 22, 2020.
3. On May 6, 2020, Christopher Flannery, Esq. (“Flannery”), advised the Bureau that he had been retained by CRI and that CRI would need a “minimum 45 day extension” to respond to the Information Request. Further, Flannery requested that CRI be permitted to produce documents to the Bureau on a rolling basis.
4. On May 29, 2020 and June 12, 2020, CRI made an initial production of documents in response to items 1, 6, 7, and 16 of the Information Request, to the Bureau.
5. On June 17, 2020, the Bureau granted CRI’s request to produce documents on a rolling basis.
6. On July 10, 2020, CRI produced additional documents to the Bureau, which were responsive to items 1, 2, 3, 4, 6, 7, and 14 of the Information Request.
7. On Thursday, August 13, 2020, the Bureau emailed Flannery requesting completion of the production. Flannery emailed a response later that day to the Bureau, stating that he was out of town, but would provide the production the following Monday [August 17, 2020].
8. On August 17, 2020, the Bureau sent a follow up email to Flannery advising him that the remainder of CRI’s production remained outstanding and requested a list of the items that CRI would be producing. Flannery replied by return email that CRI’s remaining documents would be produced to the Bureau no later than that Wednesday [August 19, 2020].
9. On August 19, 2020, Flannery emailed the Bureau stating that CRI had no additional responsive documents, and asked whether the Bureau would like an index. The same day,

the Bureau replied stating the Bureau would like an index (sometimes referred to as a “table of contents”) and cover letter. CRI, through Flannery, agreed to comply.

10. On Friday, August 21, 2020, the Bureau emailed Flannery reminding him that he told the Bureau that a table of contents for the production and a letter stating the production was complete would be provided to the Bureau on Monday [August 17, 2020]. The Bureau requested that the table of contents indicate which items the documents were responsive to, and provide the Bates numbering of the responsive documents. This information was to be provided to the Bureau no later than Tuesday, August 25, 2020. Flannery replied later that day assuring the table of contents would contain the requested information.
11. On August 25, 2020, the Bureau emailed Flannery stating that the Bureau had not received the table of contents and requested production of it by August 26, 2020. On August 27, 2020, the Bureau received the index, and a cover letter from Flannery.
12. Upon review of CRI’s production, the Bureau determined that certain requested documents, such as documents relating to the Consultant’s recommendations and recent offerings, remained outstanding.
13. On September 18, 2020, on a phone call with a Bureau investigator, Flannery stated that CRI said it had nothing else to produce. The investigator asked about the production regarding the Consultant’s recommendations (items 17 and 18 of the Information Request), and whether there should be productions regarding some of the more recent offerings identified in items 1 through 15 of the Information Request. Flannery stated that he would call CRI again early the following week [September 21, 2020] and reply by Friday, September 25, 2020.

14. On September 21, 2020, the Bureau emailed a deficiency letter (“Deficiency Letter”) to Flannery, confirming Flannery’s phone call of the prior Friday [September 18, 2020] and identifying three areas of deficiency in the production:
 - i) CRI failed to produce documents fully responsive to Request No. 16, which requested “CRI’s written supervisory and compliance manuals, policies, procedures, and guidelines in effect from January 1, 2015 to the present, marked to show all changes during that time frame;”
 - ii) CRI failed to produce documents responsive to Requests No. 17 and 18, which requested documents relating to the policies and procedures created to comply with the recommendations in the November 29, 2017 Consultant Report and documents relating to CRI’s compliance with those policies, respectively; and
 - iii) CRI’s production of documents responsive to Requests No. 1 to 15 for the sixteen entities identified was incomplete.
15. The Deficiency Letter stated that the remainder of the documents must be produced by CRI to the Bureau by October 6, 2020.
16. On September 22, 2020, Flannery acknowledged receipt of the Deficiency Letter. The Bureau did not receive a response from CRI on October 6, 2020. On October 7, 2020, the Bureau emailed Flannery requesting the status of the production. Flannery responded that day, citing family responsibilities during the COVID-19 pandemic as a reason for the delay. The Bureau requested the production be provided to the Bureau as soon as possible.
17. On October 29, 2020, Flannery emailed the Bureau stating that the remaining documents were sent to a vendor for copying and Bates numbering, and would be ready by November 2 or 3, 2020 for production to the Bureau.

18. CRI failed to produce the remaining documents by November 2 or 3, 2020. On November 4, 2020, the Bureau emailed Flannery requesting an estimated date for production of the documents.
19. On November 9, 2020, the Bureau requested a conference call with Flannery because it did not receive a response to the November 4, 2020 email. As a result, the Bureau scheduled a conference call with Flannery for November 11, 2020.
20. During the November 11, 2020 conference call with members of the Bureau and the Division of Law, Flannery stated that the remaining documents would be produced by the end of the week.
21. On Friday, November 13, 2020, Flannery emailed the Bureau stating that CRI's production would not be completed as stated during the conference call, but would be completed on November 17, 2020.
22. The Bureau did not receive CRI's production on November 17, 2020, and emailed Flannery inquiring as to the status of the production.
23. On November 17, 2020, Flannery emailed the Bureau stating that he retrieved some documents from CRI's warehouse storage, and would be sending them out to the vendor on a rush basis. Flannery further stated he would "have something [that day]."
24. On November 24, 2020, the Bureau sent Flannery a second deficiency letter (the "Second Deficiency Letter") specifying the documentation that CRI failed to produce in accordance with the Information Request and with CRI's prior representations as to when the production would be completed.

25. The Second Deficiency Letter specifically identified which documents CRI has failed to produce and set a compliance date of Friday, December 4, 2020. The Bureau informed CRI that failure to respond to the outstanding requests could result in Bureau action for failure to cooperate in violation of N.J.A.C. 13:47A-14.16 and could subject CRI to a suspension or revocation of its registration with the Bureau and civil monetary penalties.
26. Although CRI produced a few documents in response to the Second Deficiency Letter, most of the requested documents were not produced.
27. On December 3, 2020, the Bureau emailed Flannery noting the deficient items as follows:
 - i) CRI failed to produce documents fully responsive to Request No. 16, which requested “CRI’s written supervisory and compliance manuals, policies, procedures, and guidelines in effect from January 1, 2015 to the present, marked to show all changes during that timeframe.” The earliest WSP produced was dated 06/01/2016. Of the 21 WSP files produced in BOX, only one (WSP-10202017) is marked for changes. None of the 21 files are Bates-stamped (despite each being designated by a Bates number range in the Index). The file produced in BOX labeled WSP-09052019 was not included in the Index; the file produced in BOX labeled WSP-02232017 contained a WSP dated 04272017 (as listed in the Index). The most recent WSP produced was dated January 23, 2020. CRI is deficient in producing:
 - a. WSPs from January 1, 2015 to June 1, 2016 or indicate if there are none;
 - b. WSPs from January 1, 2020 to date or indicate if there are none; and
 - c. Each version (with the exception of WSP-10202017) marked to show changes from the previous version.
 - ii) CRI failed to produce documents responsive to Requests No. 17 and 18, which requested documents relating to the policies and procedures created to comply with the recommendations in the November 29, 2017 Consultant Report and documents relating to CRI’s compliance with those policies, respectively. CRI has failed to produce documents in response to Request No. 18, documents

relating to CRI's compliance with the policies and procedures created in response to Request No. 17.

iii) Documents responsive to the Requests No. 1-15 for the sixteen entities identified is incomplete. CRI produced some responsive documents for only four of the sixteen entities. According to CRI's updated document index, sent to the Bureau on November 30, 2020, CRI has only produced:

- a. seventy-seven documents responsive to Requests No. 1, 2 and 14 for Lifestyle Homes of Distinction, Inc.;
- b. three documents responsive to Request No. 1 for DPW Holdings, Inc.;
- c. one document responsive to Request No. 1 for American Bio Medical Corporation; and
- d. six documents responsive to Request No. 1, 3 and 6 for Cantone Office Center, LLC.

28. During the morning of December 4, 2020, Flannery acknowledged receipt of the email by return email.
29. During the late afternoon of December 4, 2020, Flannery emailed the Bureau stating that he "spent a great deal of time going through files and [found] an additional 150 documents responsive to [the Bureau's] document request . . . [and that] the CCO [is] going through files as well." The email also stated that the 150 documents have been sent out and were expected back Tuesday, December 8, 2020, and then would be indexed. Flannery took responsibility for missing the December 4, 2020 deadline.
30. Notwithstanding the December 4, 2020 email, to date, the Bureau has not received any additional documents and CRI continues to be deficient in response to the May 5, 2020 Information Request.

31. During the course of an investigation authorized by N.J.S.A. 49:3-68 and conducted pursuant to N.J.A.C. 13:47A-14.1 through N.J.A.C. 13:47A-14.16, CRI failed to provide the Bureau with documents requested that were required to be maintained by N.J.S.A. 49:3-59 and N.J.A.C. 13:47A-1.10.

CONCLUSIONS OF LAW

32. CRI's failure to timely provide the Bureau with the documents requested that were required to be maintained by N.J.S.A. 49:3-59 and N.J.A.C. 13:47A-1.10 was a willful failure to cooperate under N.J.A.C. 13:47A-14.16.
33. Pursuant to N.J.S.A. 49:3-70.1, each violation described above constitutes a basis for the assessment of a civil monetary penalty against CRI.

CONCLUSION

THEREFORE, it is on this 7th day of December 2020, hereby **ORDERED** that:

34. Cantone Research, Inc. is assessed a civil monetary penalty in the amount of \$10,000, which shall be paid to the Bureau within seven (7) days of the execution of this Order.
35. Payment of the funds shall be by attorney trust fund account check, certified check, or other guaranteed funds, to "State of New Jersey, Bureau of Securities," 153 Halsey Street, 6th Floor, Newark, New Jersey 07102, or to be mailed to "New Jersey Bureau of Securities," P.O. Box 47029, Newark, New Jersey 07101. The civil monetary penalty shall be deposited in the Securities Enforcement Fund, pursuant to N.J.S.A. 49:3-66.1. Upon payment, Cantone Research, Inc. relinquishes all rights to the funds used to pay the civil monetary penalty notwithstanding any other provision in this Order.

36. If the remaining documents requested in the Information Request are not provided to the Bureau within thirty (30) days of service of this Order, then the broker-dealer registration of Cantone Research, Inc. will be revoked.

A handwritten signature in black ink, appearing to read "Amy Kopleton". The signature is fluid and cursive, with a large initial "A" and a long, sweeping tail.

AMY KOPLETON
DEPUTY BUREAU CHIEF
NEW JERSEY BUREAU OF SECURITIES

NOTICE OF RIGHT TO HEARING

You are advised that upon service of notice of this Summary Penalty Order issued by the Bureau Chief, Cantone Research, Inc. shall have up to twenty (20) days to respond to the Bureau in the form of a written answer and written request for a hearing. A request for a hearing must be accompanied by a written response, which addresses specifically each of the reasons set forth in the Order which formed the basis for its entry. A general denial is unacceptable. Within five (5) business days of receiving the written answer and request for a hearing, the Bureau Chief shall either transmit the matter to the Office of Administrative Law for a hearing, or schedule a hearing at the Bureau of Securities. At any hearing involving this matter, an individual respondent may appear on his/her own behalf or be represented by an attorney. If an applicant fails to respond by filing a written answer and request for a hearing with the Bureau within the twenty (20) day prescribed period, the Order shall remain in effect until modified or vacated.

NOTICE OF OTHER ENFORCEMENT REMEDIES

You are advised that the Uniform Securities Law (1997), N.J.S.A. 49:3-47 to -89, provides several enforcement remedies, which are available to be exercised by the Bureau Chief, either alone or in combination. These remedies include, in addition to this action revoking your registration, the right to seek and obtain injunctive and ancillary relief in a civil enforcement action, N.J.S.A. 49:3-69, and the right to seek and obtain civil penalties in an administrative or civil action, N.J.S.A. 49:3-70.1.

You are further advised that the entry of the relief requested does not preclude the Bureau Chief from seeking and obtaining other enforcement remedies against you in connection with the claims made against you in this action.