BEFORE THE NATIONAL ADJUDICATORY COUNCIL

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of Department of Enforcement, Complainant, vs. Cantone Research, Inc., Anthony Cantone, and Christine Cantone Tinton, NJ, Respondents.	DECISION Complaint No. 2013035130101r Dated: January 23, 2026

On remand from the Securities and Exchange Commission for reconsideration of sanctions. Held, sanctions affirmed in part and modified in part.

Appearances

For the Complainant: Loyd Gattis, Esq., and Jennifer Crawford, Esq., Department of Enforcement, Financial Industry Regulatory Authority

For the Respondents: Pro Se

Decision

I. Background

This matter is before us on remand from the Securities and Exchange Commission. In a National Adjudicatory Council ("NAC") decision dated January 16, 2019, the NAC concluded that Cantone Research, Inc. ("CRI"), Anthony Cantone ("Cantone"), and Christine Cantone ("C. Cantone") engaged in misconduct in connection with multiple private placements. First, the NAC found that CRI and Cantone made material omissions and a misrepresentation in connection with the sales of securities in three private placements, in willful violation of Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act"), Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010. Second, the NAC found that CRI and Cantone violated Section 17(a) of the Securities Act of 1933 ("Securities Act") and FINRA Rule 2010 by negligently omitting negative information about the background of one of Cantone's partners, Christopher Brogdon ("Brogdon"), from all pertinent offering documents. Third, the NAC found that C. Cantone and CRI failed to reasonably supervise Cantone's activities in connection with the

offerings, in violation of NASD Rule 3010(a) and FINRA Rule 2010. For this misconduct, the NAC: suspended Cantone in all capacities for a total of 15 months (12 months for his intentional misrepresentations and omissions and three months for his negligent omissions, to be served consecutively); suspended C. Cantone for two years in any principal and supervisory capacities, with the requirement that she requalify; and imposed fines of $150,000 on Cantone and CRI ($100,000 for their intentional misrepresentations and omissions and $50,000 for their negligent omissions) jointly and severally, and $73,000 on C. Cantone and CRI (for their failures to supervise), jointly and severally. The NAC also imposed $18,773.88 in costs.

On appeal, the Commission affirmed the NAC's finding that CRI and Cantone made material omissions in connection with the offer and sale of one private placement offering. The Commission also affirmed, that because Cantone and CRI acted at least recklessly, they acted willfully and are thus subject to statutory disqualification under Exchange Act Section 3(a)(39). The Commission further affirmed that C. Cantone failed to reasonably supervise Cantone's activities in connection with that private placement.

The Commission, however, set aside FINRA's findings that Cantone and CRI violated securities laws by intentionally misleading investors regarding two additional offerings. The Commission concluded that with respect to those two offerings, FINRA failed to establish that the alleged omissions and misrepresentations were "in connection with" the purchase or sale of a security. In addition, the Commission set aside FINRA's findings that Cantone and CRI negligently omitted negative information about the background of Brogdon from the offering documents, as well as the sanctions imposed with respect to this violation. Finally, the Commission set aside FINRA's findings that C. Cantone and CRI failed to supervise Cantone with respect to the findings of misconduct by CRI and Cantone that the Commission set aside.

Because the Commission partially set aside the violations upon which FINRA predicated the unitary sanctions for Cantone's and CRI's fraud violations and the sanctions for C. Cantone's and CRI's failures to supervise, the Commission set aside these sanctions and remanded the matter for further proceedings to determine the appropriate sanctions for the violations the Commission sustained. On remand, we find it appropriate to impose a one-year suspension on Cantone and a $100,000 fine upon Cantone and CRI, jointly and severally, for their fraudulent misconduct. For C. Cantone's and CRI's supervisory failures, we suspend C. Cantone in all principal and supervisory capacities for one year, and we fine her and CRI $40,000, jointly and severally.

II. Facts

The following facts are pertinent to the Commission's findings that Cantone and CRI made material omissions in connection with the sales of securities in a private placement and that C. Cantone and CRI failed to supervise those transactions. We review these facts in connection with the consideration of appropriate sanctions.

A. Respondents[1]

CRI was a FINRA member between 1990 and September 2023. Cantone was CRI's majority owner, president, and CEO. He entered the securities industry in 1982 and was registered until September 2023. He is married to C. Cantone, who entered the securities industry in 1996 and was registered until September 2023. In her supervisory and principal capacities, C. Cantone was registered as an introducing broker/dealer financial operations principal, municipal securities principal, registered options principal, financial and operations principal, and general securities principal. C. Cantone also served as CRI's chief compliance officer ("CCO")[2] and supervised her husband from 2010 through 2014, except for a three-month hiatus in spring 2012.[3]

B. Cantone and CRI Fraudulently Omitted Material Facts

The Commission found that Cantone and CRI violated Exchange Act Section 10(b), Exchange Act Rule 10b-5, and FINRA Rules 2020 and 2010 in connection with a private placement offering. A person violates Section 10(b) and Rule 10b-5 by making a misstatement or omission of material fact with scienter in connection with the purchase or sale of a security. *Gebhart v. SEC*, 595 F.3d 1034, 1040 (9th Cir. 2010). Such conduct also violates FINRA Rule 2020, which prohibits members from effecting any transaction in, or inducing the purchase or sale of, any security by means of any manipulative, deceptive or other fraudulent device or contrivance; and FINRA Rule 2010, which prohibits conduct inconsistent with just and equitable principles of trade. *Bernard G. McGee*, Exchange Act Release No. 80314, 2017 SEC LEXIS 987, at *35 (Mar. 27, 2017), *petition denied*, 733 F. App'x 571 (2d Cir. 2018).

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[1] In December 2023, Cantone entered into an AWC in which he accepted a bar for refusing to appear for on-the-record testimony during a FINRA investigation. Separately, in January 2024, a FINRA Hearing Panel issued a decision barring Cantone and expelling CRI, finding that they engaged in numerous willful violations of Municipal Securities Rulemaking Board ("MSRB") and Securities Act rules. Cantone and CRI did not appeal the Hearing Panel's decision.

[2] C. Cantone's liability in this matter stems solely from her role as Cantone's supervisor and not her role as CCO of CRI.

[3] In 2012, FINRA accepted an Offer of Settlement from C. Cantone and CRI whereby the parties consented to the entry of findings that C. Cantone and CRI failed to reasonably supervise a CRI registered representative who sold fraudulent investments to firm customers and misappropriated approximately $1.6 million of their funds. FINRA suspended C. Cantone for three months in any principal capacity, fined her $10,000 jointly and severally with CRI, and ordered her and CRI to pay $200,000 in restitution to customers jointly and severally. CRI was censured and fined $15,000.

1. Cantone and CRI's Early Deals with Brogdon

Cantone met Brogdon in 2003, through James Friar ("Friar"), a registered representative Cantone had hired to work at CRI earlier that year. Friar specialized in high-yield municipal bonds, and CRI had not engaged in bond transactions prior to hiring Friar. Cantone was interested in exploring deals involving municipal bonds, but he lacked expertise in that area. Friar had done similar deals with Brogdon in the past and vouched for him. Ultimately, Cantone and Brogdon conducted a series of nine municipal bond deals together. Michael Gardner ("Gardner"), an attorney who had worked with both Brogdon and Friar previously, prepared the prospectuses. Cantone testified that all nine offerings were ultimately successful, with investors receiving the full principal and interest due.

2. The Columbia, Chestnut, Oklahoma, and Cedars Offerings

In 2010, CRI, Cantone, and Brogdon began working on a new type of offering involving nursing homes and assisted living facilities. The plan was for Cantone to find investors and for Brogdon to acquire, develop, and manage the properties (the "Offerings"). CRI, Cantone, and Brogdon conducted the first four of these Offerings between February 2010 and August 2011. For each Offering, CRI and Cantone created a limited liability company that issued certificates of participation ("COPs") to sell to investors. All the COPs were tied to underlying real-estate redevelopment projects controlled by Brogdon. The projects were denoted by the name of their accompanying LLCs: Columbia, Chestnut, Oklahoma, and Cedars. The COPs were almost identical in structure. The funds raised by the LLCs' sales of the COPs to investors were used by Brogdon to acquire, develop, and manage nursing homes and assisted living facilities. The LLCs, in turn, received a promissory note from Brogdon that was sometimes secured by the purchased property. The promissory note had a two or three-year term with investors expected to earn 10% interest annually, payable quarterly. At maturity, investors expected to receive their principal. If the project was sold or refinanced, investors also expected to receive a share of any profits or realized capital gain.

The Offerings included a Confidential Disclosure Memorandum ("CDM") describing their features. The CDMs all included a brief biography of Brogdon, noting his 20 years of experience in the development and operation of assisted living and nursing home facilities, as well as his previous leadership positions with various companies.

The CDMs also specified that both interest and principal would be paid solely from either revenue from the underlying projects or from a guaranty.[4] Indeed, each CDM contained a guaranty committing either Brogdon or another entity closely related to Brogdon to make prompt payments of interest and principal (the "Brogdon Guaranty"). This guaranty named Brogdon, his

[4] The CDMs specified that late interest payments would be considered a default on Brogdon's part, but the CDMs provided Brogdon a grace period of either five days after receiving notice from the issuing LLC that the interest was not paid when due or 15 days after payment was due.

wife, and the Brogdon Family, LLC as guarantors. The Brogdon Guaranty assured that the guarantors, for the benefit of the issuing LLC and the holders of the COPs, "absolutely and unconditionally" guaranteed the "prompt payment and performance, as and when due, of all . . . obligations" pursuant to the note to the extent the venture succeeded in generating cash flow, achieved capital gains, or successfully refinanced. The guarantors also agreed to pay all expenses, including legal fees the issuing LLC might incur to enforce the Brogdon Guaranty. Brogdon or another family member signed the CDM personally and as manager of Brogdon Family, LLC. Cantone required Brogdon to provide the Brogdon Guaranty because he wanted Brogdon to have a personal stake in the deals in case any of the projects collapsed, as well as to make the projects more palatable to potential investors.

For each Offering, Cantone and CRI used the associated LLC to solicit amounts ranging from $550,000 to $2.8 million. Many investors participated in multiple Offerings. Cantone acknowledged that he was ultimately responsible for the CDMs' contents but testified that he took a "hands-off" approach to deciding what should be disclosed. Instead, he relied on Friar and Gardner.

a. Brogdon Fails to Make Timely Payments

By summer 2011, Brogdon was having trouble making timely interest payments to the LLCs, which were therefore unable to make payments to their investors. While investors usually received the payments within the grace periods set out in the CDMs, Brogdon's late payments worried Cantone, who believed it jeopardized his ability to raise funds for other projects. After the first interest payment for the Chestnut Offering was delayed, at least three investors asked about it, prompting Cantone to write to Brogdon's assistant that the late payment made it difficult "to convince these same investors" to invest in the Oklahoma Offering. He wrote to the assistant a day later: "It hurts Brogdon's reputation (and my ability to fund future projects) when interest and principal is not paid when due because investors get concerned about this guaranty." Nonetheless, Cantone did not stop working with Brogdon. The Oklahoma and Cedars Offerings occurred in July and August 2011, respectively. When soliciting investors for the Oklahoma Offering, Cantone continued to identify the Brogdon Guaranty as a selling point.

On February 1, 2012, the Columbia note matured, but the principal was not repaid. The following month, when emailing Brogdon about late interest payments for a different deal, Cantone noted that investors were calling him about Brogdon's failure to pay the Columbia note's principal. In April 2012, Cantone emailed Brogdon that Brogdon's failure to pay the Columbia principal, along with his delay in making a payment in a different completed offering, made it difficult to solicit investments in other upcoming offerings.

Brogdon's failure to repay the principal for the Columbia Offering caused interest payments to continue to come due. After Brogdon failed to make the next interest payment, which was due on May 1, 2012, Cantone personally loaned funds to Columbia, which in turn paid investors. Brogdon again failed to make the interest payment for Columbia for the next quarter, which was due on August 1, 2012. Cantone notified Brogdon that Columbia was in default and again loaned the money to Columbia to make the payment.

During this period, Brogdon also failed to make interest payments in the Chestnut Offering. In September 2011, and February, June, September, and November 2012, Cantone or CRI loaned money to cover those interest payments.

b. The Extension Agreements

On October 1, 2012, Cantone agreed to extend the Columbia maturity date to February 1, 2013. The extension agreement stated that Brogdon's company had been unable to repay the principal because the facility had not achieved sufficient occupancy. The agreement increased Brogdon's interest on the note from 10% to 14% and added additional principal and fees amounting to more than $150,000. Cantone did not send the agreement to investors; rather, he sent a two-paragraph letter that informed investors of the extension but did not mention any missed interest or principal payments, nor the additional fees or interest that were part of the new agreement.

In January 2013, Brogdon informed Cantone he would not be able to pay the Columbia principal now due on February 1, 2013. Cantone agreed to a second extension to February 1, 2014.

Brogdon also did not repay the principal for Oklahoma when it came due in July 2013. Cantone extended the maturity date to January 15, 2014, with terms similar to those used in the Columbia extension agreement. Again, Cantone did not send the extension agreement to Oklahoma investors and instead sent a letter that lacked numerous details about the terms of the extension agreement.

Brogdon continued having difficulty making interest payments throughout 2013. Cantone testified that, by March 2013, he was "getting concerned" about Brogdon's ability to honor all his financial obligations, and some of Cantone's investors complained about Brogdon's late interest payments. Brogdon missed interest payment deadlines for Columbia in May, August, and November 2013, with Cantone or CRI covering the payments instead. Brogdon also missed payments in the Chestnut and Cedars Offerings, and Cantone or CRI covered those payments as well. In May 2013, Cantone sent Brogdon an invoice for Chestnut, noting that he had missed interest payments for March, June, and September 2012 as well as for March 2013. Those Chestnut payments, combined with interest due on June 1, 2013, totaled $350,025.

Ultimately, Cantone, CRI, or the associated LLC sued the Brogdon entities in connection with the Columbia, Chestnut, Oklahoma, and Cedars Offerings. A court entered judgment for the investors in each lawsuit. Columbia and Cedars investors were fully repaid their principal and interest.

3. The Cherokee Offering

Cherokee was the final Brogdon-related Offering. Cantone created Cherokee Financial, LLC to offer COPs in a promissory note issued by Arcadia Partners, LLC ("Arcadia"), an entity owned and managed by Brogdon (the "Cherokee Offering"). The promissory note was secured

by a deed, subordinate to a senior deed held by participants in a bond issue by Brogdon's entity, Chelsea Investments, LLC ("Chelsea"), which raised the funds for the purchase of the land.

Brogdon had purchased land, on which he planned to build age-restricted townhomes with a clubhouse and other common areas. Brogdon's partner was a real estate developer, Bruce Alexander ("Alexander"). Arcadia planned to use the proceeds from the Cherokee Offering to construct the first phase of the project, with Alexander's company building the homes and managing the project. With the note purchase, the Cherokee Offering investors acquired an ownership interest in Arcadia.

a. The Chelsea Guaranty

After years of missed and late payments, Cantone had lost faith in the dependability of the Brogdon Guaranty. Moreover, Gardner informed Cantone that if he included the Brogdon Guaranty in the Cherokee CDM, he would have to disclose Brogdon's "multiple failures to perform under previous guaranties." Thus, to avoid having to disclose Brogdon's significant financial issues, Cantone and Gardner agreed not to include a Brogdon Guaranty in the Cherokee CDM. Instead, Cantone and Gardner changed the name of the guaranty to the Chelsea Guaranty ("Chelsea Guaranty"). Notwithstanding the name change, Brogdon was still a crucial component of the transaction, and his participation a selling point to investors, with the CDM noting:

> Christopher F. Brogdon is the central participant in the transactions described in this Confidential Disclosure Memorandum . . . . Chelsea Investments, L.L.C. ("Chelsea") is wholly-owned by Brogdon Family, L.L.C. ("Brogdon Family"). Chelsea is managed by Mr. Brogdon. Brogdon Family is also controlled by Mr. Brogdon. Mr. Brogdon owns all of the equity interests in Arcadia Lender, and 35% of the equity interests in Arcadia Partners.

Although Cantone chose to include the Chelsea Guaranty in the CDM, he had serious reservations about the value of the agreement. Cantone believed that the guaranty was in the Offering "not for the purpose of informing the investors" but as a message to Brogdon that "he had a fiduciary responsibility."

b. Cantone and CRI Fail to Disclose Brogden's Myriad Payment Issues in the Cherokee CDM

Between April and June 2013, CRI and Cantone solicited investors, including CRI customers, to invest in the Cherokee Offering. During this period, 53 investors invested approximately $1,825,000 with CRI and Cantone. The CDM, dated May 28, 2013, did not mention the Brogdon Guaranty. Instead, Chelsea guaranteed the prompt payment of interest and principal via the Chelsea Guaranty. The CDM for the Cherokee Offering provided that investors' principal and interest would be paid solely from the revenues of the underlying real estate development project, and its sale of the individual property units, and payments made pursuant to the "Guaranty Agreement."

The CDM and other written materials did not mention Brogdon's repeated missed late payments to investors, that Cantone and CRI often had to cover those payments for Brogdon, that Brogden owed $350,000 to the Chestnut Offering, or the actual reasons for the Columbia or Oklahoma extension agreements. Cantone testified that he believed Brogdon's inability to pay in the other Offerings was not material to Cherokee because the CDM did not contain the Brogdon Guaranty.

4. FINRA Investigates Respondents

FINRA's disciplinary proceeding arose from a 2013 routine FINRA cycle examination of CRI. FINRA staff conducted its opening interview with CRI on June 17, 2013. In response to FINRA staff's questions, Cantone represented that that there had been no defaults, late payments, or extensions in any of the Brogdon-related Offerings. FINRA later learned that Cantone's initial representations were inaccurate after it examined the bank records for the LLCs and saw that many of the payments were made by the Cantones or an entity with which they were affiliated rather than by the Brogdon entities. FINRA reviewed emails that corroborated that the payments were being made by the Cantones. The emails also included numerous communications in which Cantone requested that Brogdon make the payments to investors as directed by the Offerings.

C. Cantone's and CRI's Failures to Supervise Cantone's Conduct in Connection with the Cherokee Offering

C. Cantone and CRI violated FINRA rules by failing to implement CRI's supervisory procedures and ignoring red flags. CRI's written supervisory procedures ("WSPs") required C. Cantone to review Cantone's emails daily to ensure that all communications with investors and prospective investors were truthful and contained fair and balanced disclosures. Yet C. Cantone knew the extent of Brogdon's financial troubles and did not ensure that Cantone disclosed them to prospective Cherokee investors in the Offering materials. In addition, C. Cantone knew that Brogdon was failing to make timely interest payments relating to the Columbia, Chestnut, Oklahoma, and Cedars Offerings. She wrote many of the checks to cover the late payments, some of them from her joint account with Cantone. She also knew when Brogdon needed extensions to repay the Columbia and Oklahoma principal. She was also privy to discussions around the drafting of the Cherokee Offering and the decision to include the Chelsea Guaranty rather than the Brogdon Guaranty.

Despite all these red flags, C. Cantone admitted that she took no steps to address them. She did not direct Cantone to tell investors about Brogdon's missed payments or the true sources of those funds. Cantone's communications to investors were not truthful and complete, and C. Cantone, knowing this, did not remedy them. Her inaction enabled Cantone and CRI to violate securities laws and FINRA rules.

D. Procedural History

1. FINRA Finds that the Respondents Engage in Misconduct

Based on the above, FINRA's Department of Enforcement initiated a disciplinary proceeding against the respondents. A FINRA Hearing Panel issued its decision in May 2017 finding that CRI and Cantone violated Section 10(b) of the Exchange Act, Exchange Act Rule 10b-5, and FINRA Rules 2020 and 2010, and Sections 17(a)(2) and (3) of the Securities Act. The Hearing Panel also concluded that C. Cantone and CRI failed to supervise Cantone, in violation of NASD Rule 3010(a) and FINRA Rule 2010.

In its January 2019 decision, the NAC concluded that CRI and Cantone violated Sections 17(a)(2) and (3) of the Securities Act, and FINRA Rule 2010, by failing to disclose to investors aspects of Brogdon's negative biography. The NAC also concluded that CRI and Cantone willfully violated Section 10(b) of the Exchange Act, Exchange Act Rule 10b-5, and FINRA Rules 2020 and 2010, by making material misrepresentations and omissions to prospective Cherokee Offering investors and failing to disclose to existing investors the missed and late payments when creating the extension agreements for the Columbia and Oklahoma Offerings. Finally, the NAC concluded that CRI and C. Cantone failed to properly supervise Cantone with respect to the offerings, in violation of NASD Rule 3010(a) and FINRA Rule 2010.

2. The Commission Affirms Certain Findings, Sets Aside Findings, and Remands the Proceeding for a Redetermination of Sanctions

On appeal, the Commission found that Cantone and CRI violated Exchange Act Section 10(b), Exchange Act Rule 10b-5, and FINRA Rules 2020 and 2010. The Commission found that Cantone and CRI acted at least recklessly when they failed to disclose the following material facts to investors in the Cherokee Offering: 1) Cantone and CRI's myriad concerns about Brogdon's ability to pay, specifically that Brogdon had missed numerous interest and principal payments that Cantone and CRI covered; 2) the undisclosed interest rate increases and fees for the Columbia and Oklahoma extension agreements; 3) Brogdon's $350,000 in unpaid interest and fees for the Chestnut Offering; and 4) that the Chelsea Guaranty depended on Brogdon and was "worthless." The Commission also found that C. Cantone and CRI failed to supervise Cantone with respect to the Cherokee Offering. As described above, the Commission set aside FINRA's findings that Cantone and CRI violated securities laws by intentionally misleading investors regarding the Columbia and Oklahoma extension agreements. In addition, the Commission set aside FINRA's findings that Cantone and CRI negligently omitted negative information about the background of Brogdon from the offering documents. Finally, the Commission set aside FINRA's findings that C. Cantone and CRI failed to supervise Cantone with respect to the findings of misconduct by CRI and Cantone that the Commission dismissed. Because the Commission partially set aside the violations upon which FINRA predicated its sanctions, it remanded the matter to determine the appropriate sanctions for the violations it sustained.

III. Discussion

We have reexamined the full record in this case, including the Commission's findings and the parties' briefs filed on remand, and we have reevaluated what sanctions are necessary to protect the public, are remedial, and are not punitive or otherwise excessive or oppressive. Notwithstanding the Commission's dismissal of a portion of the fraud findings, we have determined that the fraud findings affirmed by the Commission are still serious and warrant a significant sanction. Accordingly, we suspend Cantone in all capacities for one year and impose a $100,000 fine on Cantone and CRI, jointly and severally, which are the same sanctions we previously imposed for Cantone's and CRI's fraudulent misconduct. For C. Cantone's and CRI's supervisory failures in connection with the Cherokee Offering, we suspend C. Cantone for one year in all principal and supervisory capacities and fine C. Cantone and CRI $40,000, jointly and severally.

A. Cantone's and CRI's Fraudulent Omissions

For Cantone's and CRI's fraudulent omissions in connection with the Columbia and Oklahoma extension agreements and the Cherokee Offering, the NAC originally suspended Cantone in all capacities for one year and imposed on Cantone and CRI a joint and several fine of $100,000. Although the Commission set aside the findings of liability related to the Columbia and Oklahoma extension agreements, we find it appropriate to impose a one-year suspension and $100,000 fine for the remaining fraud violations for the reasons discussed below.[5]

For an individual charged with intentional or reckless omissions of material fact in the sales of securities, the Sanction Guidelines ("Guidelines") strongly recommend considering a bar.[6] When mitigating factors predominate, however, the Guidelines recommend a suspension in any or all capacities for six months to two years.[7] For a firm, the Guidelines recommend a suspension of any or all activities for up to two years, and expulsion from FINRA membership

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[5] We do not believe that, under the facts and circumstances and after our reconsideration of the relevant aggravating factors, the Commission's decision to set aside the NAC's findings with respect to the extension agreements necessitates that we reduce the sanctions imposed for the findings with respect the fraud violations the Commission sustained. *See, e.g.*, *Louis Ottimo*, Exchange Act Release No. 95141, 2022 SEC LEXIS 1578, at *20 (Jun. 22, 2022) (affirming bar imposed on Ottimo on remand from the Commission even though the Commission set aside certain portions of Ottimo's fraud violation). We also do not believe that given the NAC's prior sanctions for fraud in this case, that it would be appropriate to increase sanctions on remand here.

[6] *See FINRA Sanction Guidelines* 89 (Apr. 2017) https://www.finra.org/sites/default/files/2017_April_Sanction_Guidelines.pdf [hereinafter *Guidelines*]. We apply the Guidelines used in the initial NAC decision.

[7] *Id*.

when aggravating factors predominate.[8] For both individuals and firms, the Guidelines also recommend a fine of $10,000 to $146,000. Finally, the Guidelines direct us to consider the Principal Considerations in Determining Sanctions and the General Principles that apply to all sanction determinations in our assessment of the severity of the respondents' violations.[9]

An examination of the Principal Considerations requires a finding that Cantone's and CRI's omissions of material facts in connection with the Cherokee Offering were, at a minimum, serious. Cantone and CRI repeatedly attempted to conceal Brogdon's recurring failures to pay.[10] As the Commission noted:

> Anthony Cantone knew, and did not disclose to investors, that by the time of the Cherokee offering, Brogdon had made interest payments on the other offerings late, had missed them entirely, and had failed to repay principal. Anthony Cantone and CRI also had covered the interest payments multiple times out of personal or business accounts, and Anthony Cantone knew that Brogdon owed $350,000 in unpaid interest for the Chestnut offering alone. Anthony Cantone even agreed to extensions for the Columbia and Oklahoma offerings because Brogdon could not pay the principal under the terms of the original notes. Indeed, Anthony Cantone himself confirmed that by the time of the Cherokee offering, he was extremely concerned about Brogdon's financial condition. Anthony Cantone and CRI needed to disclose these facts for the Cherokee offering materials to be not misleading.

Cantone Research, Inc., Exchange Act Release No.100553, 2024 SEC LEXIS 1656, at *27-28 (Jul. 18, 2024).

Cantone and CRI also attempted to obfuscate Brogdon's substantial involvement in the Cherokee Offering by replacing the Brogdon Guaranty with the Chelsea Guaranty. Cantone knew that Brogdon had proven himself to be an undependable guarantor. However, this critical information was never disclosed to investors. Instead, Cantone concealed the source by calling it the Chelsea Guaranty rather than the Brogdon Guaranty even though Brogdon owned and controlled Chelsea. That the offering documents cautioned potential investors not to make their investment decisions in reliance on the guaranty does not cure the fact that Cantone chose to include a promise to investors that he viewed as worthless without informing them of that fact or the information upon which he had formed that belief.

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8 *Id*.

9 *Id*. at 2-8, 89.

10 *Id*. at 7 (Principal Consideration No. 10).

The deliberate nature of CRI's and Cantone's misconduct is also an aggravating factor.[11] Cantone knew about Brogdon's chronic failure to pay interest on time and his inability to fulfill the terms of the notes when due. Cantone fielded calls from investors expressing frustration about the late payments and the lack of principal, and he knew that some investors would not do any deals if Brogdon was involved because of his previous defaults. Indeed, Cantone had his own concerns about Brogdon. Nonetheless, Cantone did not disclose what he knew about Brogdon to prospective Cherokee investors. Instead, Cantone replaced the Brogdon Guaranty with the Chelsea Guaranty—an entity Brogdon still owned and operated. Cantone testified repeatedly that he believed the Chelsea Guaranty to be valueless to investors, but instead of saying as much to investors, or removing it entirely, he worked with his attorneys "to minimize [its] importance." In these circumstances, Cantone surely knew of the serious risk that investors would be misled, and therefore he acted at least recklessly.

In addition, Cantone's and CRI's material omissions affected at least the 53 investors in Cherokee, who invested more than $1.8 million in the Offering.[12] And Cantone has not acknowledged responsibility for his misconduct[13]—to the contrary, in the respondents' brief on remand they continue to deny that investors were misled.

We also find Cantone's lack of candor with FINRA examiners during his FINRA examination aggravating.[14] The examiners asked him if there had been any defaults or late payments in the private placements during the review period, and he falsely said no. However, by that time, Cantone knew that Brogdon had made several late interest payments and had failed to pay the Columbia note principal when due, and that Cantone had extended the maturity date twice.

Based on the prevalence of aggravating factors, lack of mitigating factors, and the directives of the Guidelines themselves, we find it appropriate to suspend Cantone in all capacities for one year and fine Cantone and CRI $100,000, jointly and severally. We conclude that combining the fine with a suspension creates a more impactful disciplinary response to better protect investors and the markets. The suspension temporarily prohibits Cantone from associating with a member firm, reducing the risk of harm to investors and the financial markets, and gives him time to reflect on the importance of complying with federal securities laws and FINRA rules. The fine aims to protect the public interest by emphasizing to Cantone and CRI the importance of compliance. *See Southeast Inv., N.C., Inc*., Exchange Act Release No. 99118, 2023 SEC LEXIS 3460, at *36-37 (Dec. 7, 2023) (explaining that the fines imposed "will

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11 *Id*. at 8 (Principal Considerations in Determining Sanctions, No. 13).

12 *Id*. at 7 (Principal Considerations in Determining Sanctions, Nos. 8, 17).

13 *Id*. (Principal Considerations in Determining Sanctions, No. 2).

14 *Id*. (Principal Considerations in Determining Sanctions, No. 10).

impress upon Applicants and other firms and their associated persons the importance of complying with these requirements in the future and thereby help to secure that compliance"). The Commission noted that Cantone's and CRI's misconduct "put investors at risk," and we believe that a meaningful suspension and fine will protect the investing public by impressing upon Cantone and CRI the seriousness of their misconduct and discouraging firms and brokers from engaging in similar misconduct in the future. By holding Cantone and CRI accountable, these sanctions promote a fair and transparent marketplace, helping to maintain trust in, and upholding the standards of, the securities industry.

B. C. Cantone and CRI's Failures to Supervise

Previously, the NAC suspended C. Cantone for two years in all principal and supervisory capacities with a requirement to requalify and imposed a fine of $73,000 on C. Cantone and CRI, jointly and severally. On remand and under the facts and circumstances of this case, we have determined that it is appropriate to reduce C. Cantone's suspension to one year in all principal and supervisory capacities and to reduce the fine imposed on C. Cantone and CRI to $40,000, jointly and severally.

For failures to supervise, the Guidelines recommend a fine in the range of $5,000 to $73,000, suspending the responsible individual in all supervisory capacities for up to 30 business days and limiting the activities of the appropriate branch office or department for up to 30 business days.[15] In egregious cases, the Guidelines direct the adjudicator to consider limiting the activities of the branch office or department for a longer period or suspending the firm with respect to any or all activities or functions for up to 30 business days.[16] The adjudicator is also directed to consider suspending the responsible individual in any or all capacities for up to two years or barring the responsible individual.[17]

Notably, this is not the first supervisory violation for C. Cantone and CRI. In February 2012, FINRA accepted an Offer of Settlement from C. Cantone and CRI, under which C. Cantone was suspended for three months in any principal capacity, fined $10,000 jointly and severally with CRI, and ordered to pay $200,000 in partial restitution to customers jointly and severally with CRI. Without admitting or denying the allegations, C. Cantone and CRI consented to findings that C. Cantone failed to reasonably supervise a CRI registered representative who sold fraudulent investments to firm customers and misappropriated

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15 *Guidelines*, at 104.

16 *Id*.

17 *Id*.

approximately $1.6 million of customers' funds. The Guidelines direct the imposition of progressively escalating sanctions on recidivists and require a lengthier suspension here.[18]

Further, C. Cantone's failure to supervise the Cherokee Offering was serious. It affected dozens of transactions, as she did not require Cantone and CRI to disclose material facts to the 53 investors who collectively invested more than $1.8 million in Cherokee.[19] C. Cantone acted at least recklessly, as she was aware of red flags demonstrating Brogdon's inability or refusal to honor his obligations in earlier projects, yet ignored those red flags as Cantone and CRI failed to disclose them to Cherokee's investors.[20] Those red flags warranted scrutiny, but instead she ignored them; as the SEC found, she "took no steps" to address them. She was also responsible for signing the checks to cover Brogdon's late and missed payments. Moreover, C. Cantone has never acknowledged, much less accepted responsibility for, her misconduct.[21]

"Assuring proper supervision is a critical component of broker-dealer operations." *Dep't of Enf't v. Rooney*, Complaint No. 2009019042402, 2015 FINRA Discip. LEXIS 19, at *59 (FINRA NAC July 23, 2015) (*quoting Ronald Pellegrino*, Exchange Act Release No. 59125, 2008 SEC LEXIS 2843, at *33 (Dec. 19, 2008)). Given that the supervisory violations in this case are serious, the absence of any mitigating factors, and that C. Cantone is a recidivist, we find that CRI and C. Cantone should be fined, jointly and severally, $40,000 and that C. Cantone should be suspended in her principal and supervisory capacities for one year. Imposing a suspension and fine (jointly and severally with CRI) will decrease the likelihood that she engages in further misconduct, both by temporarily suspending her ability to associate with a member firm in principal and supervisory capacities and by reminding her of her obligations as a supervisor, which is appropriate given her continuing refusal to acknowledge any wrongdoing. These sanctions will give C. Cantone an incentive to comply with her obligations in the future and discourage her from repeating her misconduct. In addition, these sanctions are appropriately remedial given that she has now twice failed to supervise serious misconduct, demonstrating that her previous, shorter suspension for failing to supervise was inadequate.[22]

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[18] *Id*. at 2 (General Principle No. 2 explaining that disciplinary sanctions should be more severe for recidivists), 7 (Principal Considerations in Determining Sanctions, No. 1).

[19] *Id*. at 7–8 (Principal Considerations in Determining Sanctions, Nos. 8, 17), 104 (Principal Considerations in Determining Sanctions, No. 2).

[20] *Id*. at 8 (Principal Considerations in Determining Sanctions, No. 13), 104 (Principal Considerations in Determining Sanctions, No. 1).

[21] *Id*. at 7 (Principal Considerations in Determining Sanctions, No. 2).

[22] We also would have imposed a requirement that C. Cantone requalify as a general securities principal upon completion of her suspension, but we do not do so considering that all her registrations were terminated more than two years ago. Thus, C. Cantone will need to

[Footnote continued on next page]

C. The Respondents' Arguments in Favor of Reduced Sanctions Lack Merit

The respondents contend that the NAC's original sanctions should be reduced by at least two-thirds because "2/3 of the charges were thrown out," citing "simple mathematics." This argument fails for multiple reasons. First, fraud generally is so serious that even a small number of occurrences may warrant significant sanctions, that may include a bar, and the dismissal of portions of the findings of liability can result in the same sanction. As noted above, the Commission sustained the bar of a respondent who fraudulently omitted facts in connection with a single offering, even though a portion of FINRA's findings were set aside. *See Ottimo*, 2022 SEC LEXIS 1578, at *3, *11, *17–18. For the reasons stated herein, the NAC's original sanctions related to CRI's and Cantone's misconduct are appropriately remedial under the facts and circumstances.

In addition, securities regulators do not impose sanctions mechanically. *See Kornman v. SEC*, 592 F.3d 173, 186 (D.C. Cir. 2010) (ruling that "the Commission is not required to follow any mechanistic formula in determining an appropriate sanction"); *Paz Sec., Inc. v. SEC*, 566 F.3d 1172, 1175 (D.C. Cir. 2009) (reiterating that the SEC's "broad discretion in fashioning sanctions in the public interest cannot be strictly cabined according to some mechanical formula"). While the number of instances of misconduct is relevant, that is only one of more than a dozen factors that the Guidelines direct adjudicators to consider. As set forth above, we have analyzed the relevant factors and the facts and circumstances of this case to impose appropriately remedial sanctions for the respondents' misconduct.

Finally, to the extent that the number of violations is relevant, the respondents' position misstates the Commission's opinion. The Commission did not reject any of the NAC's findings about what Cantone and CRI omitted, it simply concluded that some of those omissions were not "in connection with" a purchase or sale of a security in the context of communications about Columbia and Oklahoma extension agreements, while ruling that the omissions were fraudulent when Cantone and CRI echoed them in connection with Cherokee Offering.

The respondents also contend that sanctions should be reduced because no investors were harmed. As a matter of law, however, lack of harm is not mitigating, as the SEC and the NAC have repeatedly recognized. *See, e.g.*, *Thomas Lee Johnson*, Exchange Act Release No. 99596, 2024 SEC LEXIS 444, at *20 and nn.50, 53 (Feb. 23, 2024) ("We have consistently held that the lack of customer harm is not mitigating.") (internal punctuation omitted); *Dep't of Enf't v. Capellini*, No. 2020066627202, 2024 FINRA Discip. LEXIS 19, at *59–60 (FINRA NAC Oct. 3, 2024) ("We have repeatedly held that a lack of . . . demonstrated customer harm is not mitigating

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[cont'd]

requalify to associate with a member firm in any of those registered capacities. *See* FINRA Rule 1240(a)(2).

for purposes of sanctions."), *appeal docketed*, SEC Admin. Proceeding No. 3-22284 (Oct. 30, 2024). Nor did the NAC base its original sanctions on any finding of harm to investors.[23]

The respondents further contend that the Commission's ruling setting aside the findings about Brogdon's biography means that the NAC's original sanctions were "based on an inflated length of time." That position misconstrues the NAC's original decision. The NAC found that the respondents' misconduct "occurred over a significant period of time" because it covered the Columbia and Oklahoma extensions and the Cherokee Offering, lasting from October 2012 (when the Columbia note's maturity date was first extended) to July 2013 (when the Oklahoma note's maturity date was extended). Nothing in the NAC's original decision predicated sanctions on the length of time covered by Brogdon's biography.[24]

Similarly, the respondents maintain that the Commission's ruling about the use of Brogdon's biography means that the NAC's original sanctions were based on an inflated number of material omissions. But the use of Brogdon's biography was the basis for the NAC's finding of liability for negligent omissions, which was sanctioned separately and is not at issue in this remand, given the Commission's decision setting aside that finding of liability. The use of Brogdon's biography was not a basis for the NAC's analysis of sanctions for fraud. Thus, the Commission's ruling about Brogdon's biography does not impact the NAC's reconsideration of sanctions.

Finally, the respondents note that CRI's membership was terminated in 2023, and Cantone is "officially retired." Although Cantone and CRI are no longer FINRA members, the sanctions imposed here still serve a remedial purpose, by reminding Cantone and CRI as well as other registered representatives and firms of their obligations under the Exchange Act and FINRA rules. *See Robert J. Escobio*, Exchange Act Release No. 97701, 2023 SEC LEXIS 1532,

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[23] While their appeal was pending before the Commission, the respondents sought to adduce additional evidence purportedly showing that investors in the Cherokee Offering eventually received part of their principal. The Commission ruled that such evidence was immaterial to the respondents' liability but noted that FINRA may consider whether the respondents may adduce such evidence before the NAC with respect to the issue of what sanctions are appropriate. The additional evidence is a heavily redacted spreadsheet of investments in Cherokee. The spreadsheet has a column labeled "Original Principal" with numbers totaling $1,825,000, and a column that appears to reflect principal balances as of August 2022, with numbers totaling $658,060. Because the NAC did not—and does not—base its sanction determination on customer harm or lack thereof, we afford no weight to these payments. Moreover, the respondents did not move the NAC to adduce this additional evidence on remand. In any event, we note that neither the spreadsheet nor any other information in the record reflects that the Cherokee investors have been made whole.

[24] We acknowledge that the duration of Cantone's and CRI's fraud has been reduced on remand. However, in light of the severity of the misconduct at issue, the reduction of this aggravating factor does not warrant a reduction in sanctions.

at *35-36 (June 12, 2023) (rejecting argument that applicant's retirement from his member firm renders a bar unnecessary). On the other hand, C. Cantone is free to associate with a member firm if she so chooses—and having in place a suspension in principal and supervisory capacities protects the investing public and industry should she do so.

IV. Conclusion

CRI and Cantone acted at least recklessly by making material omissions in connection with the sales of securities in a private placement, in willful violation of Section 10(b) of the Exchange Act, Rule 10b-5 thereunder, and FINRA Rules 2020 and 2010. For these violations, Cantone is suspended in all capacities for one year and fined, jointly and severally with CRI, $100,000.

C. Cantone and CRI violated NASD Rule 3010(a) and FINRA Rule 2010 by failing to reasonably supervise Cantone. For these violations, C. Cantone is suspended for one year in her principal (as an introducing broker/dealer financial operations principal, municipal securities principal, registered options principal, financial and operations principal, and general securities principal) and supervisory capacities, and fined $40,000, jointly and severally with CRI.

On Behalf of the National Adjudicatory Council,

Jennifer Piorko Mitchell,
Senior Vice President – Corporate Governance