

CANTONE RESEARCH, INC.

FORM CRS CLIENT RELATIONSHIP SUMMARY as of MARCH 1, 2021

1. INTRODUCTION

- Cantone Research, Inc. (CRI) is registered with the Securities & Exchange Commission (SEC) as a broker-dealer that provides brokerage accounts and services. CRI is also a member of FINRA, MSRB and SIPC. Brokerage and investment advisory services and fees differ; it is important for you to understand the differences. Free and simple tools are available to research firms and financial professionals at: www.investor.gov/CRS which also provides educational materials about broker-dealers, investment advisers, and investing.

2. WHAT INVESTMENT SERVICES AND ADVICE CAN YOU PROVIDE ME

- CRI offers brokerage services to retail investors. Our brokerage services include buying and selling securities (including stocks, fixed income investments, exchange traded funds, proprietary and non-proprietary private placements, and other securities or investment strategies such as trading options and margin). Where requested or appropriate, your financial professional may make recommendations to buy, sell or hold these securities which you may either accept or reject. You are also able to place orders to buy, sell, or hold specific securities which CRI or your financial professional will execute on your behalf. CRI also offers discretionary accounts wherein your financial professional may enter transactions without requiring your prior approval. While CRI offers various types of accounts (e.g., individual or joint, traditional or Roth IRA, rollover) it will not recommend which to open.
- We have no minimum account requirements for opening or maintaining an account. Some of the products we offer are unregistered private placements of affiliated or unaffiliated issuers, which require the investor to meet the SEC definition of an "accredited investor"; further, some issuers have minimum investment amounts. In addition, certain municipal securities transactions may be subject to minimum denomination requirements. These investment-specific minimums will be set out in the investment's prospectus or offering documents. If you, your account, or your investment amount does not meet the transaction or product minimums, or if you are not an "accredited investor", the range of investments and account services we can provide will be more limited.
- We do not monitor customer investments or portfolios on an ongoing basis. You are responsible for monitoring your account and making the ultimate decision regarding the purchase or sale of investments. We can offer you additional services to assist you in developing and executing your investment strategy and monitoring the performance of your account.

Questions to ask:

- o Given my financial situation, should I choose a brokerage service? Why or why not?
- o How will you choose investments to recommend to me?
- o What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

3. FEES, COSTS, CONFLICTS, AND STANDARD OF CONDUCT

3A. What Fees Will I Pay

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. Fees tend to vary by product and circumstance:

- **Stocks and Bonds:** With stocks, options or exchange-traded funds, the fee is usually a separate commission. With other investments, such as bonds, this fee may be part of the price you pay for the investment (called a "mark-up" or "mark-down"). The fee you pay is based on the specific transaction or investment amount and not on the value of your account. The more transactions in your account, the more fees we will charge you. We therefore have an incentive to encourage you to engage in transactions.
- **Private Placements:** Private Placement investments charge annual management fees which are used to cover administrative and other services performed on the issuer's behalf or for its benefit. These fees are not paid by you directly, nor charged as part of the purchase or sale transaction. Instead, they are charged to the issuer which results in a reduction of the issuer's net asset value or assets under management. As discussed in Section 3B, below, if you invest in a private placement sponsored by CRI or one of its affiliates, a management fee is paid to CRI or its management. This fee creates a conflict of interest.
- **Annuities:** With certain investments such as variable annuities, you may have to pay fees such as surrender charges to sell the investment, reducing the value of your investment.
- **Processing and other Charges:** We or our clearing firm (Wedbush Securities) charge additional fees such as ticket processing fees, custodian fees, account maintenance fees, transfer fees, and account inactivity fees. More information about the amount of these and other fees and when they are incurred can be found here <http://www.cantone.com/conflictsandfees.pdf> Please also refer to individual trade confirmations for any additional transaction-specific fee.

Questions to ask:

Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

3B. What are your legal obligations to me when providing recommendations? How else does your firm make money and what conflicts of interest do you have?

- **When we provide you with a recommendation**, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations we provide you. Here are some examples to help you understand what this means.
- **Conflicts relating to Proprietary Products:** Proprietary products are investments that are issued, sponsored, or managed by our firm or our affiliates. We and our affiliates make money (or derive another benefit) when we sell proprietary products and therefore have an incentive to recommend proprietary products over non-proprietary products. This includes private placement investments where CRI or one of its principals receives a fee or other compensation in exchange for its role in the investment. The specific fees paid to CRI for each investment is disclosed in the PPM or offering documents. Types of compensation received (depending on the investment at issue) includes annual management fees, expense reimbursements, profit sharing, and equity interest in the offering. This compensation creates a conflict of interest because CRI or its investment professionals are incentivized to recommend these proprietary products over other investments that do not result in a benefit to CRI. Additionally, because CRI's compensation is based, in part, by the success of the private placement offering, it has an additional incentive to recommend those products to firm customers in order to ensure offering or investor minimums or requirements are met. This incentive creates a second conflict of interest.
- **Conflicts relating to Principal Trades:** We may buy and sell your investment through our own accounts (called "acting as principal") and we can earn a profit on these trades.
- More information on our potential conflicts of interest may be found here <http://www.cantone.com/conflictsandfees.pdf>.

Questions to ask:

How might your conflicts of interest affect me, and how will you address them?

3C. How do your financial professionals make money?

Our financial professionals are compensated depending on the type of service they provide.

- For transactions that charge a commission or mark, as discussed above, each transaction in your account will generate a commission or mark. A portion of that commission or mark is paid to your financial professional. This creates an incentive for your financial professional to recommend active trading.

4. DO YOU OR YOUR FINANCIAL PROFESSIONALS HAVE LEGAL OR DISCIPLINARY HISTORY?

- Yes. Visit www.investor.gov/CRS for a free and simple search tool to research us and our financial professionals. For additional information about our brokers and services, visit <http://brokercheck.finra.org/> our web site www.cantone.com and refer to your account agreement.

Questions to ask:

As a financial professional, do you have any disciplinary history? For what type of conduct?

5. ADDITIONAL INFORMATION

- You may find additional information about our brokerage services at our website www.cantone.com
- You may request a copy of the Form CRS Relationship Summary by contacting your financial professional. You may also call (732) 450-3500 x 111 for a copy or to request up-to-date information.

Questions to ask:

Who is the primary contact person for my account? Is he or she a registered representative of a broker-dealer? If I have concerns about how this person is treating me, who can I talk to?

Amendments to Cantone Research, Inc. Form CRS dated June 30, 2020

As required we are providing you a summary of recent changes to our Form CRS:

Item 2 — Relationships and Services

- Amended to state the particular types of principal brokerage services the firm offers.
- Amended to summarize the principal services, accounts, or investments the firm makes available to retail investors, and any material limitations on such services.
- Amended to explain that the firm makes available or offers advice with respect to both proprietary products and non-proprietary products or types of investments.

Item 3A — Fees, Costs, and Conflicts

- Amended to include specific references to more detailed information about the firm's fees and costs that are required by Regulation BI.
- Amended to add fees and conflicts associated with the firm's private placement program.

Item 3B — Standard of Conduct

- Amended the examples section to include language regarding varying fees and incentives based on offering different share classes of investment companies
- Amended the examples section to include disclosure on incentives and conflicts associated with the firm's private placements.
- Amended to include additional information with specific reference to more details about the firm's conflicts of interest.

Item 3C — Financial Professional Compensation

- Amended to provide more detail of how the firm's financial professionals are compensated.

Please contact us at (732) 450-3500 x 111 should you have any questions.