

MK

PUBLIC
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00



11016777

ANNUAL AUDITED REPORT Mail Processing Section
FORM X-17A-5
PART III

FEB 28 2011

SEC FILE NUMBER
8-41940

FACING PAGE Washington, DC
**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/10 AND ENDING 12/31/10
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Cantone Research, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

766 Shrewsbury Avenue

(No. and Street)

Tinton Falls

(City)

NJ

(State)

07724

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Peter J. Walsh

732-450-3500 ext.121

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ParenteBeard LLC

(Name - if individual, state last, first, middle name)

1800 Byberry Road, Suite 1100, Huntingdon Valley, PA

(Address)

(City)

(State)

19006

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

3/9/2011

OATH OR AFFIRMATION

I, Peter J. Walsh, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cantone Research, Inc., as of December 31, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

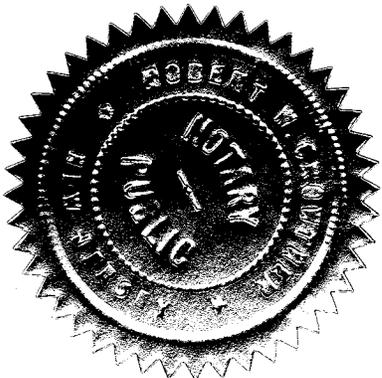
Peter J. Walsh
Signature
Chief Financial Officer
Title

Robert W. Crowther, III
Notary Public
ROBERT W. CROWTHER, III
Notary Public
State of New Jersey

This report ** contains (check all applicable boxes). My Commission Expires 02/10/2013

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



Cantone Research, Inc.

Statement of Financial Condition

December 31, 2010

Table of Contents

	<u>Page</u>
Report of Independent Registered Public Accounting Firm	1
Financial Statements	
Statement of Financial Condition	2
Notes to Financial Statements	3

Report of Independent Registered Public Accounting Firm

To the Board of Directors
Cantone Research, Inc.

We have audited the accompanying statement of financial condition of Cantone Research, Inc. as of December 31, 2010. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit of the statement of financial condition provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of Cantone Research, Inc. as of December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

ParenteBeard LLC

Huntingdon Valley, Pennsylvania
February 25, 2011

Cantone Research, Inc.

Statement of Financial Condition

December 31, 2010

Assets

Cash and cash equivalents	\$ 25,256
Commissions receivable	142,423
Investments, at fair value	1,609,372
Advances to registered reps, net of allowance for doubtful accounts	700
Note receivable	58,000
Prepaid expenses	32,413
Furniture, equipment and leasehold improvements at cost, net of accumulated depreciation	<u>21,714</u>
	<u>\$ 1,889,878</u>

Liabilities and Stockholder's Equity

Liabilities

Line of credit	\$ 100,000
Commissions payable	66,324
Accounts payable and accrued expenses	<u>44,105</u>

Total liabilities 210,429

Commitments and Contingencies

Stockholder's Equity

Common stock, no par value, 1,000 shares authorized, issued and outstanding	50,000
Additional paid - in capital	1,558,000
Retained earnings	<u>71,449</u>
	<u>1,679,449</u>
	<u>\$ 1,889,878</u>

CANTONE RESEARCH, INC.

Notes To Financial Statements

December 31, 2010

1. Business and Organization

Cantone Research, Inc. ("the Company") is a broker-dealer registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

The Company is an introducing broker-dealer for its clients and clears its securities transactions on a fully disclosed basis primarily through First Clearing Corporation ("FCC").

2. Securities and Exchange Commission Rule 15c3-3 Exemption

The Company is exempt from the provisions of Rule 15c3-3 under paragraph (k)(2)(i), under which provision the Company must carry no margin accounts, promptly transmit all customer funds and deliver all securities received in connection with its activities as a broker-dealer, and not otherwise hold funds or securities for, or owe money or securities to its customers. The Company was not in possession of any customer funds at December 31, 2010.

3. Significant Accounting Policies

Basis of Presentation

The financial statements include all the accounts of the Company. The Company is engaged in a single line of business as an introducing broker-dealer for its clients.

Use of Estimates

The preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition and Commission

Transactions in securities, including the related commission revenues and expenses, are recorded on a trade-date basis.

Investment Banking

Investment banking revenues include gains, losses, and fees, net of syndicate expenses, arising from securities offerings in which the Company acts as an underwriter or agent. Investment banking revenues also include fees earned from providing merger-and-acquisition and financial restructuring advisory services. Investment banking management fees are recorded on offering date, sales concessions on settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

CANTONE RESEARCH, INC.

Notes To Financial Statements

December 31, 2010

Investments

Investments are recorded at fair value in accordance with the Fair Value Topic of the FASB Accounting Standards Codification. Profit and loss arising from all security transactions entered into for the account and risk of the Company are recorded on a trade-date basis.

Depreciation

The Company provides for depreciation of furniture and equipment on the straight-line method over estimated useful lives of three, five and seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease.

Concentration of Credit Risk

At times throughout the year, the Company had cash balances in excess of Federally insured limits. Cash accounts at banks are currently insured by the FDIC up to \$250,000.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company has defined cash equivalents as highly liquid investments, with original maturities of less than three months, which are not held for sale in the ordinary course of business.

Advertising

The Company follows the policy of charging the costs of advertising to expense as incurred.

Income Taxes

The Company, with the consent of its sole stockholder, has elected to be taxed as an S corporation for both Federal and New Jersey corporate income tax purposes. In lieu of Federal corporation income taxes, the stockholders of an S corporation are taxed on their proportionate share of the Company's taxable income. Therefore, no provision or liability for current year federal income taxes has been included in the financial statements. In New Jersey, "S" corporations pay a reduced rate corporate income tax and are subject to a minimum tax.

The Company follows the provisions of FASB ASC 740, *Income Taxes*. FASB ASC 740, as updated by FASB ASU 2009-06, provides guidance on accounting for income taxes, including uncertain tax positions.

No interest and penalties related to income taxes have been recognized in the accompanying financial statements. The Company believes there are no uncertain tax positions. The Company is no longer subject to income tax audits for years before 2007.

CANTONE RESEARCH, INC.

Notes To Financial Statements

December 31, 2010

4. Deposits with Clearing Organization

The Company has entered into an agreement with FCC whereby all orders of the Company's customers to buy or sell securities are to be cleared through FCC on a fully-disclosed basis. Under this agreement, the Company is required to maintain a minimum deposit of \$250,000 in cash or marketable securities. At December 31, 2010, the Company held marketable trading securities with a market value of \$1,257,217 with FCC.

5. Investments

At December 31, 2010, investments consisted of the following:

Securities, trading-equity	\$ 994,270
Securities, trading-debt	263,102
Other investments	<u>352,000</u>
	<u>\$ 1,609,372</u>

At December 31, 2010, other investments consisted of the following:

Certificate of Participation in secured promissory note and warrants from Radiant Pharmaceuticals Corporation	\$ 250,000
10% Subordinated Convertible Debentures Series A - American Bio Medica Corp.	100,000
200,000 shares – LMS Medical Systems, Inc.	1,000
AgChoice Farm Credit Classic common stock	<u>1,000</u>
	<u>\$ 352,000</u>

6. Fair Value Measurement

FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that consist with the market, income or cost approach, as specified by FASB ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.
- Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.

CANTONE RESEARCH, INC.

Notes To Financial Statements

December 31, 2010

- Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for assets measured at fair value:

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Debt securities: Valued at the closing value reported by pricing services of the security held at the Company at year-end.

Other investments: Valued at cost, which management believes approximates fair value.

The following table presents the Company's fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2010.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Securities – equity	\$ 994,115	\$ -	\$ 155	\$ 994,270
Securities – debt	-	263,102	-	263,102
Other investments	-	-	352,000	352,000
Total	<u>\$ 994,115</u>	<u>\$ 263,102</u>	<u>\$ 352,155</u>	<u>\$ 1,609,372</u>

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended December 31, 2010:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	<u>Securities</u>	<u>Investments</u>	<u>Total</u>
Beginning balance	\$ 196	\$ 351,500	\$ 351,696
Total gains or losses (realized/unrealized)	(41)	500	459
Purchases, sales, issuances and settlements	-	-	-
Transfers in and/or out of Level 3	-	-	-
Ending balance	<u>\$ 155</u>	<u>\$ 352,000</u>	<u>\$ 352,155</u>

The amount of total gains or losses for the period included in earnings (or changes in net assets) attributable to the change in unrealized gains or losses relating to assets still held at the reporting date

\$ (41)	\$ 500	\$ 459
---------	--------	--------

CANTONE RESEARCH, INC.

Notes To Financial Statements

December 31, 2010

7. Advances to Registered Reps

The Company enters into employment contracts ranging from one to three years with newly hired reps. Pursuant to the contracts, the Company makes interest-bearing advances to the reps in amounts up to \$50,000. The advance is due in full at the end of the contract period. The contract contains incentives which, if achieved, may result in the forgiveness of the advanced amount. Such forgiveness is recorded as compensation expense in the period earned. As of December 31, 2010, these advances amounted to \$700. The advances are secured by the licenses of the registered reps. When a registered rep leaves, the Company establishes an allowance for doubtful account based on a case-by-case evaluation of the collectability of the remaining advance. No allowance was considered necessary as of December 31, 2010.

8. Note Receivable

The note receivable from Radiant Pharmaceuticals Corporation ("Radiant") was scheduled to be repaid by December 1, 2009. The original interest rate was 12%. As a result of the default, the interest rate was increased to 18%. In connection with the note, the Company received a warrant to purchase up to 116,000 shares of Radiant common stock, exercisable at \$0.60 per share. In January 2011, the note was exchanged for 592,261 shares of Radiant common stock, which were sold for \$58,000.

9. Line of Credit

The Company has available, through June 14, 2013, an unsecured line of credit of \$500,000 with AGChoice Farm Credit. The line of credit is guaranteed by the sole stockholder and his spouse. The interest rate is at the bank's prime rate and is reset monthly based on the 15th day of the preceding month. The effective interest rate was 3.25% at December 31, 2010. At December 31, 2010, the outstanding balance was \$100,000.

10. Income Taxes

The Company has not provided for deferred taxes for state income tax purposes because there are no significant temporary differences in the recognition of expenses for financial and income tax reporting. The New Jersey state net operating loss ("NOL") of approximately \$512,000 will be carried forward to offset future New Jersey taxable income. If not used, the carryforward will expire in 2028.

11. Net Capital Requirement

The Company is subject to the Securities and Exchange Commission's "Uniform Net Capital Rule" (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1.

At December 31, 2010, the Company's net capital was \$1,010,582, which was \$910,582 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness/net capital ratio was 21%.

CANTONE RESEARCH, INC.

Notes To Financial Statements

December 31, 2010

12. Leases

The Company leases its main office in New Jersey under a lease that has been extended to March 31, 2012. Rental expense for 2010 amounted to \$73,213.

The Company also leases office equipment under an operating lease at the rate of \$507 per month. This lease expires in May 2011. Rental expense for office equipment for 2010 amounted to \$9,156.

Future minimum lease payments under the non-cancelable operating leases are as follows:

Year Ending December 31,	
2011	\$ 87,547
2012	<u>21,380</u>
	<u>\$ 108,927</u>

It is expected that, in the normal course of business, the leases will be renewed or replaced by leases on other properties; thus, it is anticipated that future minimum operating lease commitments will not be less than the expense incurred in 2010.

13. 401(k) Plan

The Company provides a 401(k) profit sharing plan. The Company does not match the contributions by the participating, eligible employees.

14. Commitments and Contingencies

The Company is subject to claims and legal proceedings which could arise in the ordinary course of its business. The Company is unable to estimate the magnitude of any future exposure at this time.

Customer transactions are cleared through a clearing organization on a fully disclosed basis. In the event that customers are unable to fulfill their contractual obligations, the clearing organization may charge the Company for any losses incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy customers' obligations. The Company regularly monitors the activity in its customer accounts for compliance with the clearing organization margin requirements.

The Company is exposed to the risk of loss on unsettled customer transactions in the event customers and other counterparties are unable to fulfill contractual obligations. Securities transactions entered into as of December 31, 2010 settled with no adverse effect on the Company's financial condition.

CANTONE RESEARCH, INC.

Notes To Financial Statements

December 31, 2010

15. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition and disclosure through February 25, 2011, the date the financial statements were available to be issued.

As described in Note 8, in January 2011, the note receivable from Radiant was exchanged for 592,261 shares of Radiant common stock, which were sold for \$58,000. The promissory note and warrants from Radiant were also sold for \$250,000. No gain or loss was recognized on these transactions.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00

ANNUAL AUDITED REPORT
FORM X-17A-5 Processing Section
PART III

SEC FILE NUMBER
8-41940

FEB 28 2011
FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/10 AND ENDING 12/31/10
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Cantone Research, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

766 Shrewsbury Avenue
(No. and Street)

Tinton Falls
(City)

NJ
(State)

07724
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Peter J. Walsh

732-450-3500 ext.121
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ParenteBeard LLC

(Name - if individual, state last, first, middle name)

1800 Byberry Road, Suite 1100, Huntingdon Valley, PA
(Address) (City) (State)

19006
(Zip Code)

CHECK ONE:

- Certified Public Accountant
 Public Accountant
 Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, Peter J. Walsh, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cantone Research, Inc., as of December 31, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Peter J. Walsh
Signature

Chief Financial Officer
Title

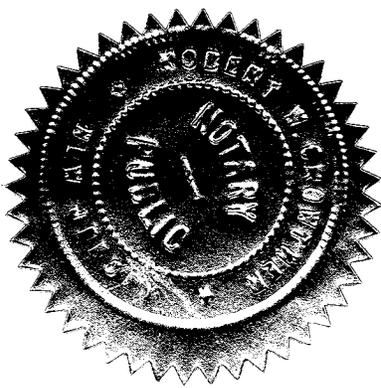
[Signature]
Notary Public

ROBERT W. CROWTHER, III
Notary Public
State of New Jersey
My Commission Expires 02/16/2013

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's SIPC Assessment Reconciliation

To the Board of Directors and Stockholder of
Cantone Research, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities and Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2010, which were agreed to by Cantone Research, Inc., the Securities and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating Cantone Research, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Cantone Research, Inc.'s management is responsible for Cantone Research, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with the respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2010, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2010, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences; and
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

ParenteBeard LLC

February 25, 2011