

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

DEPARTMENT OF ENFORCEMENT,

Complainant,

v.

**SEABOARD SECURITIES INC.
(CRD No. 755);**

**ANTHONY J. DiGIOVANNI SR.
(CRD No. 601698);**

**ANTHONY J. DiGIOVANNI JR.
(CRD No. 4787615);**

and

**SONYA T. STILL
(CRD No. 4235212)**

Respondents.

**Disciplinary Proceeding
No. 2007008724801**

Hearing Officer - RSH

**ORDER ACCEPTING OFFER
OF SETTLEMENT**

AUGUST 9, 2010

INTRODUCTION

Disciplinary Proceeding No. 2007008724801 was filed on March 24, 2009 by the Department of Enforcement of the Financial Industry Regulatory Authority ("FINRA") ("Complainant"). Respondents Seaboard Securities Inc. ("Seaboard" or the "Firm"), Anthony J. DiGiovanni, Sr. ("DiGiovanni Sr."), Anthony J. DiGiovanni, Jr. ("DiGiovanni Jr.") and Sonya Still ("Still") (collectively "Respondents") submitted an Offer of Settlement ("Offer") to Complainant on July 26, 2010. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council ("NAC"), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA") have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant

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to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondents have consented, without admitting or denying the allegations of the Complaint, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA.

BACKGROUND

Seaboard Securities, Inc., CRD No. 755, has been a member of FINRA since 1958. Seaboard is headquartered in Florham Park, New Jersey, and currently has 25 registered representatives with three branch offices. In 2006 and 2007, the Firm offered to the public a variety of investment products and was a municipal securities dealer.

Anthony J. DiGiovanni, Sr., CRD No. 601698, is and was in 2006 and 2007 the majority owner and President of Seaboard. He has been registered as a General Securities Representative with the Firm since September 1986. In addition, he also has been registered as an Options Principal since 1989 and as a General Securities Principal since March 1996. DiGiovanni Sr. worked, and continues to work, out of Seaboard's home office in Florham Park, New Jersey.

Anthony J. DiGiovanni Jr., CRD No. 4787615, has been employed at Seaboard since August 2003, and has been registered as a General Securities Representative since November

2005. DiGiovanni Jr. worked, and continues to work, out of Seaboard's home office in Florham Park, New Jersey.

Sonya T. Still, CRD No. 4235212 is, and was in 2006 and 2007 the Vice-President and Chief Compliance Officer of Seaboard. Still has been registered with the Firm as a General Securities Principal since September 2000. Still has been the Firm's designated Anti-Money Laundering Compliance Officer since 2002. Still worked, and continues to work, out of Seaboard's home office in Florham Park, New Jersey.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

Between October 1, 2006 and December 31, 2007 (the "Relevant Period"), Seaboard, acting through DiGiovanni Jr., sold approximately one billion shares of unregistered thinly traded securities for several Seaboard customers (collectively, the "Relevant Customers"). The Relevant Customers engaged in a pattern of depositing large blocks of unregistered and newly issued penny stocks in certificate form in their Seaboard accounts, from which DiGiovanni Jr. immediately liquidated their positions. The Relevant Customers then intermittently wired out all the proceeds from their penny stock sales. In exchange for executing the sales of the unregistered securities, the Relevant Customers paid Seaboard commissions ranging from about 5% to 26% (and, in a few instances, up to 50%) of the sales price. Seaboard's sale of the approximately one billion unregistered shares of penny stocks on behalf of the Relevant Customers resulted in proceeds for the customers of over \$3.8 million, and approximately \$400,000 in gross commissions for Seaboard. In addition to receiving approximately \$80,000 of Seaboard's commissions, DiGiovanni Jr. also received approximately \$25,000 in proceeds from

selling his own shares of unregistered securities that were given to him as a gift by one of the Relevant Customers.

Seaboard, acting through the Firm's President, DiGiovanni Sr., failed reasonably to supervise DiGiovanni Jr.'s activities, resulting in the illicit sales of unregistered securities described above.

In addition, Seaboard, acting through Still, the Firm's Chief Compliance Officer and Anti-Money Laundering ("AML") Officer, failed to establish and maintain a supervisory system, including adequate written supervisory procedures, reasonably designed to achieve compliance with applicable laws, rules, and regulations with respect to the sale of unregistered securities. Seaboard, acting through Still, also failed to establish and implement AML procedures reasonably designed to monitor and detect suspicious activity and failed to investigate and report suspicious activity.

Seaboard has been a member of FINRA since October 10, 1958. The Firm is registered to do business in, among other things, market making in over-the-counter ("OTC") securities, retailing OTC securities and municipal securities. At all times relevant to the Complaint, Seaboard was headquartered in Florham Park, New Jersey. The Firm currently has two branch offices, which are located in Florida and Virginia.

DiGiovanni Sr. is, and was at all times relevant to the Complaint, the majority owner and President of Seaboard. He has been registered as a General Securities Representative with the Firm since September 1986. In addition, he also has been registered as an Options Principal since 1989 and as a General Securities Principal since March 1996. During the Relevant Period, DiGiovanni Sr. was the designated principal responsible for the supervision of the Firm's Investment Banking, Mutual Funds, Retail Sales, Trading and Market Making businesses, and

also was the Options Principal. In addition, DiGiovanni Sr. was DiGiovanni Jr.'s direct supervisor. At all times relevant to the Complaint, DiGiovanni Sr. worked, and continues to work, out of Seaboard's home office in Florham Park, New Jersey.

DiGiovanni Jr. has been employed at Seaboard since August 2003, and has been registered as a General Securities Representative since November 2005. At all times relevant to the Complaint, DiGiovanni Jr. worked, and continues to work, out of Seaboard's home office in Florham Park, New Jersey.

Still is, and at all times relevant to the Complaint was, the Vice-President and Chief Compliance Officer of Seaboard. Still has been registered with the Firm as a General Securities Principal since September 2000. Still has been the Firm's designated Anti-Money Laundering Compliance Officer since 2002. At all times relevant to the Complaint, Still worked, and continues to work, out of Seaboard's home office in Florham Park, New Jersey.

Three Seaboard customers, SE, KC, and KM, were active liquidators of unregistered securities during the Relevant Period. The Relevant Customers each opened multiple individual and corporate accounts at the Firm through which they delivered and liquidated large volumes of newly issued unregistered securities.

The Relevant Customers received their unregistered securities through purported Regulation D, Rule 504 offerings, which provide an exemption from the registration requirements set forth in Section 5 of the Securities Act of 1933 ("Section 5"). Rule 504 provides that stock issued under this exemption can be freely resold if it is issued pursuant to a state law exemption that exempts from securities registration offerings to in-state accredited investors. Rule 504's exemption, however, is unavailable if the offering and sale of the unregistered securities is part of a scheme to evade Section 5's registration requirements.

Despite numerous red flags, Seaboard, acting through DiGiovanni Jr., failed to conduct the necessary due diligence to determine whether the securities the Relevant Customers asked the Firm to sell were part of such a scheme to evade the securities laws.

In October 2006, KC and KM received 100 million shares of newly issued stock in certificate form from Eternal Images, Inc ("ETIM"), which they deposited in certificate form in two of their corporate accounts at the Firm. Over the next three months, KC and KM deposited into four of their corporate accounts at the Firm another 173 million newly issued shares of ETIM in certificate form. All 273 million shares of ETIM were issued in five separate offerings, pursuant to Rule 504. No one at Seaboard made any inquiries as to the circumstances of how KC and KM received the shares, whether or when they had paid for the shares, what percentage of the outstanding shares of ETIM the customers owned, or whether KC or KM had any relationship with the issuer.

At the time, there was no registration statement in effect for KC's and KM's ETIM shares.

With the assistance of Seaboard, acting through DiGiovanni Jr., KC and KM engaged in a distribution of the ETIM shares. Within days after KC and KM deposited into their accounts the shares from each of the five offerings, Seaboard, acting through DiGiovanni Jr., sold the shares. As soon as virtually all of the shares from one issuance were sold, KC and KM received the next block of ETIM stock from the company, which they liquidated soon thereafter. By the end of January 2007, Seaboard sold all 273 million shares of KC and KM's ETIM stock.

Upon receiving KC and KM's sales orders, Seaboard sold short shares of ETIM from a house account to the market and then, at the end of the day, the Firm covered its short position by purchasing from KC and KM's accounts, at a markdown, the commensurate number of shares

that it had sold during the day. Seaboard's markdowns on the ETIM shares ranged from 0% to 22%.

KC and KM earned close to \$410,000 from the ETIM sales, intermittently wiring out most of the proceeds as they sold the shares. Seaboard earned close to \$23,500 in commissions from KC and KM's ETIM sales, which is approximately 6% of the customers' proceeds.

DiGiovanni Jr.'s share of the commissions was approximately \$4,700.00.

On November 10, 2006, during the period in which KC and KM were liquidating their ETIM shares, SE opened an account at the Firm in the name of II, Inc. II, Inc. was a company that SE had formed and incorporated in the State of Minnesota two days earlier, on November 8, 2006. Minnesota exempts from securities registration certain offerings to in-state accredited investors.

On December 29, 2006, SE deposited into the II, Inc. account 24.5 million shares in certificate form of Fire Mountain Beverage Company ("FBVG") that had been issued to II, Inc. on December 27, 2006, pursuant to Rule 504. Seaboard did little, but in any event insufficient, inquiry as to the circumstances under which II, Inc. received the FBVG shares, whether or when II, Inc. had paid for the shares, what percentage of the outstanding shares of FBVG II, Inc. owned, or whether SE had any relationship with the issuer.

At the time, there was no registration statement in effect for SE's FBVG shares.

With the assistance of Seaboard, acting through DiGiovanni Jr., SE engaged in a distribution of the FBVG shares. II, Inc. started selling its FBVG shares within one month after depositing the shares in its account at the Firm. Like KC and KM's ETIM shares, as II, Inc. sold the stock it received from one issuance, it received additional shares of FBVG, which were newly issued in certificate form pursuant to Rule 504. In all, between December 2006 and July

2007, II, Inc. received 155 million shares of FBVG in six separate issuances, almost all of which were sold by the end of July 2007.

When II, Inc. received its third issuance of FBVG shares on April 16, 2007, DiGiovanni Sr. asked SE to get an opinion from an attorney stating that II, Inc. could resell the newly issued FBVG shares. SE provided Seaboard with a copy of a letter dated April 16, 2007 from SJC, an attorney representing II, Inc., addressed to the transfer agent handling the FBVG shares.

In his letter, SJC stated that his opinion that "there will be no restriction on the resale of the Common Stock sold in the offering to the Shareholders pursuant to Rule 504(b)(1)" was made in reliance on representations made by II, Inc. and FBVG and its officers and other representatives, and was not based on any independent investigation. For example, SJC indicated that he relied on an issuer representation that stated, in part, that "the Shareholder and/or the Company will not use the Common Stock in a distribution or violate any federal or state securities laws"

During the period of late January to early May 2007, FBVG was touted as the next soda giant in a stream of unsolicited spam emails. During a three-week period in which the spam was particularly active, II, Inc. sold approximately 68 million shares of FBVG stock. Seaboard was on notice of the spam campaign because Still received three spam emails regarding FBVG on March 22, 2007.

As with KC and KM's ETIM shares, upon receiving SE's sales orders, Seaboard sold short shares of FBVG from a house account to the market and then, at the end of the day, the Firm covered its short position by purchasing from II, Inc., at a markdown, the commensurate number of shares that it had sold during the day. Seaboard's markdowns on the FBVG shares ranged from 4% to 26%.

SE earned just over \$3 million from the FBVG sales, intermittently wiring out most of the proceeds as he sold the shares. Seaboard earned close to \$313,000 in commissions from SE's sale of the FBVG shares, which is approximately 10% of the customers' proceeds. DiGiovanni Jr.'s share of the commissions was approximately \$62,500.00.

On or around August 2, 2007, SE opened an account at Seaboard in the name of HI, LLC. HI, LLC had been formed as a Texas limited liability company on June 20, 2007. On August 2, 2007 – the same day SE opened the HI, LLC account – Cost Containment Technologies, Inc., a Texas corporation ("CCTI"), issued five million shares of stock to HI, LLC pursuant to a Rule 504 registration exemption. Texas exempts from securities registration certain offerings to in-state accredited investors.

In conjunction with its receipt of the CCTI stock certificate, Seaboard also received a letter dated August 2, 2007, from SJC, as attorney for HI, LLC, in which he gave his opinion that the newly issued shares were freely tradable. As with his opinion regarding the FBVG shares, SJC rendered his opinion that "there will be no restriction on the resale of the [CCTI stock] sold in the offering to the Shareholders pursuant to Rule 504(b)(1)," in reliance on representations made by HI, LLC and CCTI and its officers and other representatives, and was not based on any independent investigation. For example, like FBVG's representation, SJC indicated that he relied on a CCTI representation that stated, in part, that "the Shareholder and/or the Company will not use the Common Stock in a distribution or violate any federal or state securities laws"

Seaboard also received a copy of the Subscription Agreement, dated August 2, 2007, indicating that HI, LLC paid \$2,000 for the five million shares of CCTI. In signing the

Subscription Agreement, SE, on behalf of HI, LLC, agreed that HI, LLC was receiving the five million shares of CCTI subject to, among others, the following conditions:

- 5.1(b) The undersigned was not formed to evade and is not, in connection with this investment, evading the registration requirements of the Securities Act of 1933, as amended.
- 5.1(e) The undersigned will not engage in any activity that will constitute a distribution of the Shares

Seaboard did not make an adequate inquiry into HI, LLC's receipt of CCTI shares. The Firm did not even question SE's relationship with CCTI or its CEO, even though the Firm knew that the CEO had made a gift to II, Inc. (another of SE's entities) of close to four million unrestricted shares of CCTI.

At the time, there was no registration statement in effect for the CCTI shares SE received into the HI, LLC account.

Although HI, LLC's CCTI stock certificate did not clear until August 9, 2007, Seaboard facilitated the sale of 2.4 million shares of CCTI on behalf of HI, LLC before August 9th, and the remaining 2.6 million shares by the end of the day on August 9th.

Between August 10 and September 11, 2007, CCTI issued HI, LLC more than 25 million additional shares of CCTI pursuant to four additional Rule 504 issuances. Each stock certificate was accompanied by an SJC letter indicating that, based on representations made by HI, LLC and CCTI and its officers and other representatives, and without independent investigation, his opinion was that there was no restriction on the resale of the stock. By September 18, 2007, Seaboard, acting through DiGiovanni Jr., sold all of HI, LLC's shares of CCTI.

Seaboard facilitated the sale of HI, LLC's CCTI shares in the same manner as it did with the ETIM and FBVG shares, by, upon receiving sell orders from SE, selling shares short out of a house account and then covering the Firm's short position by purchasing the commensurate

number of shares from HI, LLC at a markdown. Seaboard's markdowns on the CCTI shares ranged from 0% to 15%.

SE earned close to \$26,500 from the CCTI sales, intermittently wiring out most of the proceeds as he sold the shares. Seaboard earned approximately \$3,650 in commissions from the sale of SE's CCTI shares, approximately 14% of the customer's proceeds. DiGiovanni Jr. earned over \$700 in commissions for facilitating the sale of the CCTI shares.

Between February 9 and September 25, 2007, accounts controlled by KM and KC received 573 million shares of stock from Extreme Motorsports of California ("XTMO"), all of which had been newly issued pursuant to Rule 504 offering exemptions. Seaboard was advised by the transfer agent that there were no "restrictions, holds, legends or liens on [the] shares." Seaboard, however, conducted no independent investigation to determine the nature of KM's or KC's relationship with XTMO, nor did it consider whether the KM and KC accounts had purchased or otherwise received their shares with a view to their distribution.

Along with certain of the XTMO stock certificates, Seaboard also received a "Statement of Unanimous Consent of Board of Directors of Extreme Motorsports of California, Inc." ("Statement") related to the shares issued to the various KM and KC entities. Each of the Statements indicates that the XTMO board had undertaken offerings to sell stock in private placements purportedly in conformity with Rule 504 and Minnesota's registration exemption.

The KM and KC entities were all incorporated or domiciled in New York and Delaware, two states whose securities laws do not provide for an exemption from registration requirements, as do Minnesota and Texas. Seaboard performed no inquiry to determine whether the KM and KC accounts were entitled to rely on Rule 504's and Minnesota's exemptions.

At the time, there was no registration statement in effect for KC's and KM's XTMO shares.

With the assistance of Seaboard, acting through DiGiovanni Jr., KC and KM engaged in a distribution of XTMO shares. By the end of November 2007, Seaboard, acting through DiGiovanni Jr., facilitated the sale of approximately 531 million of the 573 million shares the KC and KM accounts had received from XTMO. As it did with the ETIM, FBVG and CCTI shares, upon receiving KC and KM's sale orders, Seaboard sold the shares out of a house account and then purchased the commensurate number of shares from KC and KM at markdowns ranging from 0% to as high as 50%.

Together, KC and KM earned close to \$430,000 from the XTMO sales, intermittently wiring out most of the proceeds as they sold the shares. Seaboard earned nearly \$59,000 in commissions from the sale of KC and KM's XTMO shares, approximately 14% of the customers' proceeds. DiGiovanni Jr. earned close to \$12,000.00 in commissions for facilitating the sale of the XTMO shares.

In addition to facilitating his customers' distribution of unregistered XTMO shares, DiGiovanni Jr. also received and sold 35 million unregistered shares of XTMO. DiGiovanni Jr. received the shares as a gift from KC just as KC and KM started to liquidate more than 530 million shares of unregistered XTMO shares. DiGiovanni Jr. started selling his XTMO shares on May 25, 2007, the day he received the certificates. The shares were cleared and journaled into his Seaboard account on May 29, 2007. By June 20, 2007, DiGiovanni Jr. sold all 35 million XTMO shares. He also wired out of his account more than \$25,000, which represented the proceeds from his XTMO sales.

Despite the Firm's repeated participation in liquidating large blocks of unregistered securities, Seaboard's Written Supervisory Procedures ("WSPs") gave minimal guidance to supervisors and registered representatives regarding complying with the requirements of Section 5 and the duty to inquire as to the facts and circumstances necessary to establish whether unregistered securities are appropriately exempted from the registration requirements. The WSPs did not address when an inquiry was required following the deposit of a large block of newly issued shares, the exact nature of the inquiry to be done, or any other aspect of the actions necessary to determine the tradability of deposited shares.

With respect to unregistered securities issued under Rule 504, the Firm's WSPs merely stated that the stock was unrestricted.

Seaboard did minimal, if any, inquiry into the tradability of shares despite the presence of following red flags, and other suspicious activity involving the Relevant Customers:

- a. The Relevant Customers maintained multiple accounts under the names of multiple newly incorporated entities with no known business purpose;
- b. The Relevant Customers deposited into their accounts millions of shares of unregistered penny stocks involving issuers with questionable or unknowable operating histories;
- c. The Relevant Customers immediately sold the unregistered stock and wired the proceeds from their accounts; and
- d. The Relevant Customers repeatedly received new issuances as they sold down the stock received in prior issuances.

Instead, the Firm generally relied on the absence of restrictive legends on the stock certificates, the transfer agents' or clients' attorneys' self-serving assurances as to the unrestricted nature of the unregistered stock, and the acceptance of the stock by the clearing firm to satisfy itself that the securities were freely tradable.

Throughout the Relevant Period, Seaboard had in place two overlapping sets of Anti-Money Laundering ("AML") policies and procedures. One policy was set forth in the Firm's WSPs, and the other appeared in a separate document entitled, "Anti-Money Laundering (AML) Program: Compliance and Supervisory Procedures" ("AML Program"). None of the provisions of the AML procedures were specifically designed for use in a securities liquidation business.

Citing NASD Rule 3011 and the Bank Secrecy Act, Seaboard's WSPs included a description of money laundering activity and stated that it was the obligation of each member of the Firm to detect and prevent potential money laundering activities. The WSPs also stated that the Firm was required to file a Suspicious Activity Report ("SAR") for any transaction that may be indicative of money laundering activity. Seaboard's WSPs, however, did not include any specific procedures aimed at preventing and detecting suspicious activity related to the liquidation of large volumes of low priced stocks, despite the importance of that type of business to the Firm.

In addition to its WSPs, Seaboard also utilized the AML Program that it derived from FINRA's Small Firm template. Despite FINRA's guidance that firms should tailor plans to fit the particular firm's situation, Seaboard did little to alter the template's language. Like the WSPs, the AML Program's section entitled, "Monitoring Accounts for Suspicious Activity," does not list any specific tasks the Firm should undertake in an effort to monitor for suspicious activity related to its securities liquidation business.

Still, the Firm's AML Officer, did not review any of the activity taking place at Seaboard to look for unusual patterns or any of the "red flags" listed in the Firm's AML procedures, which were taken directly from the red flags listed in FINRA's Small Firm Template.

The “red flags” in the Firm’s AML procedures include two directly applicable to the transactions at issue:

- The customer, for no apparent reason or in conjunction with other red flags, engages in transactions involving certain types of securities, such as penny stocks, Regulation S stocks, and bearer bonds, which although legitimate, have been used in connection with fraudulent schemes and money laundering activity. (Such transactions may warrant further due diligence to ensure the legitimacy of the customer's activity.)
- The customer maintains multiple accounts, or maintains accounts in the names of ... corporate entities, for no apparent purpose.

Seaboard’s AML Program also provided that “[w]hen a member of the firm detects any red flag he or she will investigate further under the direction of the AML Compliance Officer. This may include gathering additional information internally or from third-party sources, contacting the government, freezing the account, or filing a Form SAR-SF.”

Despite the presence of red flags in the activity of the Relevant Customers, neither Still, nor anyone else at Seaboard, detected or reported any of the Relevant Customers’ suspicious activities.

During the Relevant Period, Seaboard, acting through DiGiovanni Jr., participated in the distribution of more than one billion shares of unregistered securities, and failed to perform an adequate inquiry to determine the registration or exemption status of the shares. For example, Seaboard failed to make any inquiries to determine the circumstances of how the Relevant Customers received their shares of unregistered stock, the Relevant Customers’ relationships with the relevant issuers, or any other relevant facts or circumstances that could have revealed whether the shares were, in fact, exempt from registration.

Instead of conducting the requisite inquiry, Seaboard accepted the self-serving statements of its customers and their counsel indicating that the shares were exempt from the registration

requirements pursuant to Rule 504 of Regulation D. Purchasers of securities under Rule 504 cannot rely on Regulation D's exemption from the registration requirements if they purchased the shares, as they did here, with a view to distribution or as part of a scheme to evade Section 5's registration requirements.

Seaboard ignored numerous red flags indicating that the Relevant Customers and, in turn, Seaboard were participating in a scheme to evade Section 5's registration requirements, including the following:

- Certain of the Relevant Customers formed corporate entities with no known business purpose shortly before opening Seaboard accounts;
- Certain of the Relevant Customers incorporated entities in states that provide for exemptions from the state's registration requirements, allowing the entities to purchase unrestricted and unregistered stock pursuant to Rule 504;
- The Relevant Customers appear to have opened accounts for the sole purpose of depositing large amounts of unregistered shares;
- The Relevant Customers sold their unregistered shares as soon as the newly issued stock certificates were deposited in the accounts, and promptly wired out the funds received from the sales;
- The Relevant Customers repeatedly received new issuances as they sold down the stock received in prior issuances; and
- The Relevant Customers agreed to pay Seaboard commissions of 20-26% (and, in a few instances, up to 50%) of the sales price.

Seaboard, acting through DiGiovanni Sr., failed to adequately supervise DiGiovanni Jr. in his participation in the sales of unregistered securities described above.

Pursuant to Seaboard's WSPs, DiGiovanni Sr. was the designated supervisor responsible for the Firm's trading activity. In addition, DiGiovanni Sr. was responsible for accepting and approving new Firm accounts.

As DiGiovanni Jr's direct supervisor, DiGiovanni Sr. was responsible for reviewing all of his son's trading activity. DiGiovanni Sr. reviewed the Firm's trade blotters on a daily basis and was aware of the Relevant Customers' trading activity in which they repeatedly sold their

unregistered shares as soon as the stock certificates were deposited in the accounts, promptly wired out the funds received from the sales, and agreed to pay Seaboard commissions of 20-26% of the sales price.

DiGiovanni Sr. also approved new account documents that raised numerous red flags such as the account being opened shortly after the company was formed, initial deposits of large blocks of newly issued shares of penny stocks, and the same customers opening accounts for numerous corporate entities with no apparent business purpose.

DiGiovanni Sr. failed to take any action to investigate or prevent Seaboard's or DiGiovanni Jr.'s participation in, and the illegal sale of, unregistered securities. Seaboard and DiGiovanni Sr. failed to take adequate measures to ensure that DiGiovanni Jr. complied with the requirements of Section 5, such as requiring DiGiovanni Jr. to ascertain whether the securities being sold were exempt from registration, how and from whom the customers obtained their shares, and whether and when the customers paid for their shares.

During the Relevant Period, Seaboard, acting through Still, failed to establish and maintain adequate policies and procedures, including written procedures, reasonably designed to ensure compliance with Section 5.

Seaboard did not have adequate procedures designed to prevent the sale of unregistered securities that were not exempt from registration, for determining whether securities were appropriately exempt from registration, or whether transactions were otherwise in violation of Section 5.

Still had primary responsibility for the adequacy of Seaboard's supervisory procedures and the content of the Firm's WSPs.

During the Relevant Period, Seaboard, acting through Still, the Firm's AML Compliance Officer, failed to develop and implement AML policies, procedures, and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act and the implementing regulations thereunder.

Seaboard's AML procedures did not address the detection, monitoring, analyzing, investigating, and reporting of suspicious activity in the context of the Firm's securities liquidation business, nor identify red flags about which registered representatives and managers should be aware.

During the Relevant Period, Still was aware of the nature of the Relevant Customers' trading activity. Still knew that certain of the Relevant Customers were opening accounts for numerous newly incorporated entities with no business purpose known to the Firm, formed in states that provide for exemptions from the state's securities registration requirements, and many of these new accounts were opened shortly after the named entity was formed. Still was also aware of the numerous unregistered penny stock certificates that the Relevant Customers were depositing at the Firm. Additionally, Still knew of the spam campaign involving FBVG that was ongoing during the period in which SE was selling millions of share of FBVG per day.

Nonetheless, Seaboard, acting through Still, either failed to identify or ignored red flags involving numerous instances of potentially suspicious activities, and thus failed to investigate and report these activities in accordance with the Firm's own procedures and the requirements of the Bank Secrecy Act and the implementing regulations thereunder.

Seaboard and Still should have detected the suspicious nature of the Relevant Customers' liquidation of their penny stocks, investigated the activity, and made the appropriate SAR filings.

Instead, Seaboard and Still permitted the suspicious activity to occur and failed to report the activity to the appropriate authorities.

Based on the foregoing, Respondents Seaboard and DiGiovanni Jr. violated NASD Conduct Rule 2110 by acting in contravention of Section 5 of the Securities Act of 1933, Seaboard and DiGiovanni Sr. violated NASD Conduct Rules 3010(a) and 2110, Seaboard and Still violated NASD Conduct Rules 3010(a) and (b), NASD Conduct Rules 3011(a) and (b), and Seaboard violated MSRB Rule G-41.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Seaboard be fined \$125,000, \$10,000 of which is joint and several with Anthony J. DiGiovanni, Sr. and \$10,000 of which is joint and several with Sonya T. Still. It is further ordered that Seaboard undertake to:

- a. Retain, within 60 days of the date of the Order Accepting Offer of Settlement, an Independent Consultant, not unacceptable to FINRA staff, to conduct a comprehensive review of the adequacy of the Firm's AML program and its policies, systems and procedures (written and otherwise) and training relating to determining whether securities are freely tradable.
- b. Exclusively bear all costs, including compensation and expenses,

associated with the retention of the Independent Consultant.

- c. Cooperate with the Independent Consultant in all respects, including by providing staff support. Seaboard shall place no restrictions on the Independent Consultant's communications with FINRA staff and, upon request, shall make available to FINRA staff any and all communications between the Independent Consultant and the Firm and documents reviewed by the Independent Consultant in connection with his or her engagement. Once retained, Seaboard shall not terminate the relationship with the Independent Consultant without FINRA staff's written approval; Seaboard shall not be in and shall not have an attorney-client relationship with the Independent Consultant and shall not seek to invoke the attorney-client privilege or other doctrine or privilege to prevent the Independent Consultant from transmitting any information, reports or documents to the FINRA.
- d. At the conclusion of the review, which shall be no more than 160 days after the date of Order Accepting Offer of Settlement, require the Independent Consultant to submit to the Firm and FINRA staff a Written Report. The Written Report shall address, at a minimum, (i) the adequacy of the Firm's AML program and its policies, systems and procedures (written and otherwise) and training relating to determining whether securities are freely tradable; (ii) a description of the review performed and the conclusions reached, and (iii) the Independent Consultant's recommendations for modifications and additions to the Firm's policies,

systems, procedures and training; and

- e. Require the Independent Consultant to enter into a written agreement that provides that for the period of engagement and for a period of two years from completion of the engagement, the Independent Consultant shall not enter in to any other employment, consultant, attorney-client, auditing or other professional relationship with Seaboard, or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such. Any firm with which the Independent Consultant is affiliated in performing his or her duties pursuant to this AWC shall not, without prior written consent of the FINRA staff, enter in to any employment, consultant, attorney-client, auditing or other professional relationship with Seaboard or any of its present or former affiliates, directors, officers, employees, or agents acting in their capacity as such for the period of the engagement and for a period of two years after the engagement.
- f. Within 60 days after delivery of the Written Report, Seaboard shall adopt and implement the recommendations of the Independent Consultant or, if it determines that a recommendation is unduly burdensome or impractical, propose an alternative procedure to the Independent Consultant designed to achieve the same objective. The Firm shall submit such proposed alternatives in writing simultaneously to the Independent Consultant and FINRA staff. Within 30 days of receipt of any proposed alternative procedure, the Independent Consultant shall: (i) reasonably evaluate the

alternative procedure and determine whether it will achieve the same objective as the Independent Consultant's original recommendation; and (ii) provide the Firm with a written decision reflecting his or her determination. The Firm will abide by the Independent Consultant's ultimate determination with respect to any proposed alternative procedure and must adopt and implement all recommendations deemed appropriate by the Independent Consultant.

- g. Within 30 days after the issuance of the later of the Independent Consultant's Written Report or written determination regarding alternative procedures (if any), Seaboard shall provide FINRA staff with a written implementation report, certified by an officer of Seaboard, attesting to, containing documentation of, and setting forth the details of the Firm's implementation of the Independent Consultant's recommendations.
- h. Upon written request showing good cause, the FINRA staff may extend any of the procedural dates set forth above.
- i. Furthermore, until such time as Seaboard provides FINRA staff with the written implementation report set forth in section g, above, the Firm shall be prohibited from selling any securities deposited in certificate form or by DWAC unless (a) the stock has been held in an account at Seaboard for at least one year; and (b) the Firm retains an opinion from counsel retained by Seaboard opining that the stock may be sold in compliance with Section 5 of the Securities Act of 1933.

It is ordered that Anthony DiGiovanni, Jr. be fined \$35,000, which includes the disgorgement of \$25,000 in financial benefits received, and suspended for 45 days from association with any FINRA member firm in any capacity.

It is ordered that Anthony DiGiovanni, Sr. be fined \$10,000, jointly and severally with Seaboard, and suspended for 45 days from association with any FINRA member firm in a principal capacity.

It is ordered that Sonya Still be fined \$10,000, jointly and severally with Seaboard, and suspended for 30 days from association with any FINRA member firm in a principal capacity.

The suspensions for Anthony J. DiGiovanni, Sr. and Sonya Still shall run consecutively, the suspension for Anthony J. DiGiovanni, Sr. beginning on the completion of the suspension for Sonya Still.

Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

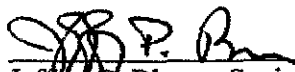
The individual Respondents' limited ability to pay has been considered in connection with the monetary sanctions imposed in this matter. The individual Respondents specifically and voluntarily waive any right to claim that they are unable to pay at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

SO ORDERED.

FINRA

Signed on behalf of the
Director of ODA, by delegated authority



Jeffrey P. Bloom, Senior Special Counsel
Department of Enforcement

FINRA

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