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

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

SEC RECEIVED FEB 28 2002 340 WASH. D.C.

SEC FILE NUMBER
8-44373

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 1/1/01 (MM/DD/YY) AND ENDING 12/31/01 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
Seaboard Securities, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

25B Vreeland Road, Suite 305
(No. and Street)

Florham Park	NJ	07932
(City)	(State)	(Zip Code)

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

Anthony DiGiovanni — 973-514-1500
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

J.H. Cohn LLP
(Name - *if individual, state last, first, middle name*)

75 Eisenhower Parkway	Roseland	NJ	07068-1697
(Address)	(City)	(State)	(Zip Code)

CHECK ONE:

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

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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 (3-91)

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.

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OATH OR AFFIRMATION

I, Anthony DiGiovanni, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Seaboard Securities, Inc., as of December 31, 2001, 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 soley as that of a customer, except as follows:

LORRAINE E. NOACK
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Oct. 17, 2006

Notary Public

Signature

President

Title

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

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's 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).*

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* * *

J.H. COHN LLP

Roseland, NJ • Edison, NJ • Englewood Cliffs, NJ • Lawrenceville, NJ • Ocean, NJ • New York, NY • Bronxville, NY • San Diego, CA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors
Seaboard Securities, Inc.

We have audited the accompanying statement of financial condition of SEABOARD SECURITIES, INC. as of December 31, 2001, and the related statements of operations, changes in stockholders' equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seaboard Securities, Inc. as of December 31, 2001, and its results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

J. H. Cohn LLP

Roseland, New Jersey
February 7, 2002

SEABOARD SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2001

ASSETS

Cash and cash equivalents	$1,457,100
Receivable from clearing organizations	1,497,732
Receivables from other broker-dealers	3,763
Securities owned	533,916
Refundable and prepaid income taxes	107,495
Other assets	150,069
Total	$3,750,075

LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:	
Accounts payable and accrued expenses	$2,656,540
Securities sold but not yet purchased	4,270
Payable to clearing organization	197,510
Total liabilities	2,858,320
Commitments and contingencies	
Stockholders' equity:	
Preferred stock; various series; at aggregate redemption value and liquidation preference	580,000
Common stock, at stated value; 15,000 shares authorized; 300 shares issued	65,200
Additional paid-in capital	1,097,117
Accumulated deficit	(731,362)
Less treasury stock, 100 shares of common stock, at cost	(119,200)
Total	891,755
Total	$3,750,075

See Notes to Financial Statements.

SEABOARD SECURITIES, INC.

STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2001

Revenues:	
Commissions	$15,696,220
Gain on principal transactions	4,620,152
Other income	475,140
Total	20,791,512
Expenses:	
Compensation and benefits	1,239,583
Commissions and floor brokerage	17,916,817
Regulatory fees and expenses	199,105
Communications	550,995
Occupancy and equipment rental	208,145
Interest	24,013
General and administrative	972,798
Total	21,111,456
Loss before income taxes	(319,944)
Income tax benefit	(102,570)
Net loss	$ (217,374)

See Notes to Financial Statements.

SEABOARD SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2001

	Preferred Stock														
	Series A		Series P		Series T		Series Z		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Treasury Stock		Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			Shares	Amount	
Balance, January 1, 2001	28	$280,000							200	$65,200	$1,097,117	$(513,988)	(100)	$(119,200)	$809,129
Issuance of stock			5	$50,000	10	$100,000	15	$150,000							300,000
Net loss	—	—	—	—	—	—	—	—	—	—	—	(217,374)	—	—	(217,374)
Balance, December 31, 2001	28	$280,000	5	$50,000	10	$100,000	15	$150,000	200	$65,200	$1,097,117	$(731,362)	(100)	$(119,200)	$891,755

See Notes to Financial Statements.

SEABOARD SECURITIES, INC.

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2001

Operating activities:	
Net loss	$ (217,374)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Depreciation	36,374
Changes in operating assets and liabilities:	
Receivable from clearing organization	(600,765)
Receivables from broker-dealers	8,004
Securities owned	(155,846)
Refundable and prepaid income taxes	100,183
Other assets	1,964
Accounts payable and accrued expenses	1,440,812
Securities sold but not yet purchased	4,098
Payable to clearing organization	197,510
Net cash provided by operating activities	814,960
Investing activities - purchases of office equipment	(8,570)
Financing activities - issuance of preferred stock	300,000
Net increase in cash and cash equivalents	1,106,390
Cash and cash equivalents, beginning of year	350,710
Cash and cash equivalents, end of year	$1,457,100
Supplemental disclosures of cash flow data:	
Interest paid	$ 24,013

See Notes to Financial Statements.

SEABOARD SECURITIES, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 - Business and summary of significant accounting policies:

Business:

Seaboard Securities, Inc. (the "Company") is a broker-dealer registered with the Securities and Exchange Commission (the "SEC") and is a member of the National Association of Securities Dealers, Inc.

The Company has an agreement with another broker-dealer (the "clearing broker") to clear transactions, carry customers' accounts on a fully-disclosed basis and perform record keeping functions and, consequently, operates under the exemptive provisions of SEC Rule 15c3-3k(2)(ii).

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Securities transactions and valuations:

Securities transactions and related commission expenses are recorded on a trade date basis.

The Company's securities owned and the securities sold but not yet purchased positions are concentrated in marketable equity securities. Those securities positions and its deposits in money market accounts are valued at market and unrealized gains and losses are included in results of operations during each period.

Cash equivalents:

Cash equivalents are investments in money market funds.

Income taxes:

The Company accounts for income taxes pursuant to the asset and liability method which requires deferred income tax assets and liabilities to be computed for temporary differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The income tax provision is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

Note 2 - Securities owned and securities sold but not yet purchased:

Securities owned (other than money market account shares) and securities sold but not yet purchased represent positions in marketable securities taken primarily for trading purposes in the ordinary course of business. A summary of those positions as of December 31, 2001 follows:

Note 2 - Securities owned and securities sold but not yet purchased (concluded):

	Owned	Sold But Not Yet Purchased
Marketable securities, at market value:		
Common stocks	$249,036	$4,270
U.S. Government obligations	284,855	
Other securities	25	
Totals	$533,916	$4,270

Note 3 - Income taxes:

The income tax benefit for 2001 is comprised of the following:

Current:	
Federal	$(103,520)
State and city	950
Total	$(102,570)

At December 31, 2001, the deferred tax assets and deferred tax liabilities attributable to the Company's temporary differences, and a related valuation allowance, were as follows:

Deferred tax assets:	
State and city net operating loss carryforwards	$ 93,000
Accrued expenses	23,000
Total	116,000
Deferred tax liability - depreciation	2,000
Net deferred tax assets	114,000
Valuation allowance	(114,000)
Total	$ -

Note 3 - Income taxes (concluded):

As of December 31, 2001, the Company had net operating loss carryforwards of approximately $886,000 for state and local income tax reporting purposes that expire at various dates through 2020. Due to the uncertainties related to, among other things, the extent and timing of the future taxable income, the Company recorded an equivalent valuation allowance of $114,000.

The Company's Federal current provision of approximately $104,000 is comprised of an available $308,000 Federal net operating loss carryback.

Note 4 - Savings plan:

The Company has established a savings plan pursuant to Section 401(k) of the Internal Revenue Code (the "Code") under which all employees meeting eligibility requirements qualify for membership. Subject to certain limits set forth in the Code, employees are permitted to make contributions to the plan on a pre-tax salary reduction basis, and the Company may make voluntary contributions.

Note 5 - Commitments and contingencies:

Operating leases:

The Company leases its office space and vehicles under operating leases that expire through September 2007. Office leases generally require the Company to pay real estate taxes and maintenance costs. Minimum future rental commitments under noncancelable leases in years subsequent to December 31, 2001 are as follows:

Year Ending December 31,	Amount
2002	$ 77,100
2003	77,100
2004	77,100
2005	77,100
2006	77,100
Thereafter	12,850
Total	$398,350

Rent expense under noncancelable operating leases was $91,362 in 2001.

Note 5 - Commitments and contingencies (concluded):

Litigation:

An internal investigation in 2000 revealed that a former registered representative of the Company was apparently involved in the embezzlement of customer funds. Certain customers have initiated litigation against the Company and others which was resolved in 2001. Three remaining customers have filed lawsuits seeking compensatory damages of approximately $180,000 plus interest and costs from the Company and others. The Company's insurance carrier is defending these actions pending a determination that these claims are covered by the policy. In the event the Company is found liable and the insurance coverage is not adequate, the outcome could have a material adverse effect on the Company's financial position, results of operations and cash flows.

The Company is a party to various legal actions arising in the ordinary course of business. The Company is vigorously defending itself against these actions. In the opinion of management, the outcome of these actions could have a material adverse effect on the financial condition, results of operations, or cash flows of the Company.

Note 6 - Financial instruments with off-balance-sheet risk:

The Company maintains cash deposits with banks and brokers. At times, such deposits exceed Federal or other applicable insurance limits. The Company reduces its exposure to credit risk by maintaining such deposits with major financial institutions and monitoring their credit ratings.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company's clearing broker extends credit to the customer, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customer's account. As a result of guaranteeing customer margin balances carried by the clearing broker, the Company may be exposed to off-balance-sheet risk in the event margin requirements are not sufficient to fully cover losses which the customer may incur. Margin accounts guaranteed by the Company had an approximate average aggregate balance of $9,894,000 during December 2001.

Securities sold but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and thereby create a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk as the Company's ultimate obligation to satisfy the sale of securities sold but not yet purchased may exceed the amount recognized in the statement of financial condition.

Note 6 - Financial instruments with off-balance-sheet risk (concluded):

Additionally, the Company is exposed to off-balance-sheet risk of loss on transactions during the period from the trade date to the settlement date, which is generally three business days. If the customer fails to satisfy its contractual obligations to the clearing broker, the Company may have to purchase or sell financial instruments at prevailing market prices in order to fulfill the customer's obligations. Settlement of these transactions is not expected to have a material effect on the Company's financial position, results of operations, or cash flows.

The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and clearing broker guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, requires the customers to deposit additional collateral or to reduce positions when necessary.

Note 7 - Net capital requirements:

The Company is subject to the SEC 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, 2001, the Company had net capital of approximately $588,000, which was $411,000 in excess of its required net capital of approximately $177,000. The Company's net capital ratio was 4.5 to 1.

Note 8 - Preferred stock:

The Company may issue preferred stock in one or more series with the terms and preferences to be determined by the Company's Board of Directors. As of December 31, 2001, the Company was authorized to issue 2,500 shares of Series A preferred stock, 2,500 shares of Series C preferred stock and 10,000 shares of other preferred stock in various series. During 2001 the Company issued 5 shares of Series P, 15 shares of Series Z preferred stock and 10 shares of Series T preferred stock. Each share of Series A, Series C, Series P, Series T and Series Z preferred is without par value; is nonvoting; has a redemption price (which is subject to certain adjustments) and a liquidation preference of $10,000 per share; and does not earn any dividends unless declared by the Company's Board of Directors.

Note 9 - Subsequent event:

In connection with the establishment of an additional branch office in Fairfield, New Jersey, the Company issued 50 shares of Series U preferred stock for $500,000.

* * *

SEABOARD SECURITIES, INC.

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION
DECEMBER 31, 2001

Net capital:		
Total stockholders' equity		$ 891,755
Deduct nonallowable assets and charges:		
Refundable and prepaid income taxes	$107,495	
Other assets	150,069	257,564
Net capital before haircuts on securities positions		634,191
Haircuts on securities positions:		
Other - trading and investment securities	37,744	
Other - money market funds	8,077	45,821
Net capital		$ 588,370
Aggregate indebtedness:		
Total liabilities		$2,858,320
Less:		
Securities sold but not yet purchased		(4,270)
Payable to clearing organization		(197,510)
Aggregate indebtedness		$2,656,540
Computation of basic net capital requirement:		
Minimum net capital required (greater of 6-2/3% of aggregate indebtedness or $100,000 minimum dollar net capital requirement)		$ 177,103
Excess of net capital		$ 411,267
Excess of net capital at 1,000%		$ 322,716
Ratio of aggregate indebtedness to net capital		4.5 to 1

SEABOARD SECURITIES, INC.

SCHEDULE I - COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION (Concluded)
DECEMBER 31, 2001

Reconciliation with the Company's computation (included in Part IIA of Form X-17A-5) as of December 31, 2001:		
Net capital as reported in the Company's Part IIA (Unaudited) FOCUS report		$ 600,336
Decrease in net capital resulting from changes in:		
Haircuts on securities positions	$(18,179)	
Audit adjustments, net:		
Statement of financial condition reclassifications	(98,633)	
Statement of operations changes	104,846	(11,966)
Net capital per above		$ 588,370
Aggregate indebtedness as reported in the Company's Part IIA (Unaudited) FOCUS report		$3,270,330
Decrease in aggregate indebtedness resulting from audit adjustments to decrease accounts payable and accrued expenses and statement of financial condition reclassifications		(613,790)
Aggregate indebtedness per above		$2,656,540

See Report of Independent Public Accountants.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROL

To the Board of Directors
Seaboard Securities, Inc.

In planning and performing our audit of the financial statements and supplemental schedule of Seaboard Securities, Inc. as of and for the year ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons

2. Recordation of differences required by Rule 17a-13

3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001 to meet the SEC's objectives.

This report is intended solely for the use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc. and the other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

J. H. Cohn LLP

Roseland, New Jersey
February 7, 2002