

SIEBERT FINANCIAL CORP  
Form 10-Q  
August 14, 2015

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT  
TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF  
1934

For the quarterly period ended **June 30, 2015**

OR

TRANSITION REPORT PURSUANT  
TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF  
1934

For the transition period from

\_\_\_\_\_

to \_\_\_\_\_

Commission file number **0-5703**

**Siebert Financial Corp.**

(Exact Name of Registrant as Specified in its Charter)(Zip Code)

**New York**

**11-1796714**

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S.  
Employer  
Identification  
No.)

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**885 Third Avenue, New York, NY 10022**

(Address of Principal Executive Offices)

**(212) 644-2400**

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. :

Large Accelerated Filer  Accelerated Filer

Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 3, 2015, there were 22,085,126 shares of Common Stock, par value \$.01 per share, outstanding.

*Unless the context otherwise requires, the “Company” shall mean Siebert Financial Corp. and its wholly owned subsidiaries and “Siebert” shall mean Muriel Siebert & Co., Inc., a wholly owned subsidiary of the Company.*

*Certain statements contained in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” below and elsewhere in this report, as well as oral statements that may be made by us or by our officers, directors or employees acting on our behalf, that are not statements of historical or current fact constitute “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward looking statements involve risks and uncertainties and known and unknown factors that could cause our actual results to be materially different from our historical results or from any future results expressed or implied by such forward looking statements, including, without limitation: changes in general economic and market conditions; changes and prospects for changes in interest rates; fluctuations in volume and prices of securities; demand for brokerage and investment banking services; competition within and without the discount brokerage business, including the offer of broader services; competition from electronic discount brokerage firms offering greater discounts on commissions than we do; the prevalence of a flat fee environment; decline in participation in corporate or municipal finance underwritings; limited trading opportunities; the method of placing trades by our customers; computer and telephone system failures; our level of spending on advertising and promotions; trading errors and the possibility of losses from customer non-payment of amounts due; other increases in expenses and changes in net capital or other regulatory requirements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date when such statements were made or to reflect the occurrence of unanticipated events. An investment in us involves various risks, including those mentioned above and those which are detailed from time to time in our Securities and Exchange Commission filings.*

**Part I - FINANCIAL INFORMATION****Item 1. Financial Statements****Siebert Financial Corp. & Subsidiaries  
Condensed Consolidated Statements of Financial Condition**

	<b>June 30, 2015 (Unaudited)</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$4,550,000	\$6,749,000
Cash equivalents – restricted	1,532,000	1,532,000
Receivable from brokers	742,000	788,000
Securities owned, at fair value	498,000	488,000
Furniture, equipment and leasehold improvements, net	494,000	609,000
Investment in and advances to affiliate	8,132,000	7,979,000
Receivable from business sold to affiliate net of unamortized discount of \$1,029,000 and \$1,143,000	1,971,000	1,857,000
Prepaid expenses and other assets	602,000	718,000
Intangibles, net	3,000	8,000
	<b>\$18,524,000</b>	<b>\$20,728,000</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$1,913,000	\$2,176,000
<b>Contingencies (Note 9)</b>		
<b>Stockholders' equity:</b>		
Common stock, \$.01 par value; 49,000,000 shares authorized, 23,211,846 shares issued, and 22,085,126 shares outstanding at June 30, 2015 and December 31, 2014	232,000	232,000
Additional paid-in capital	19,490,000	19,490,000
Retained earnings	1,649,000	3,590,000
Less: 1,126,720 shares of treasury stock, at cost at June 30, 2015 and December 31, 2014	(4,760,000 )	(4,760,000 )
	16,611,000	18,552,000
	<b>\$18,524,000</b>	<b>\$20,728,000</b>

See notes to condensed consolidated financial statements.



**Siebert Financial Corp. & Subsidiaries**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
<b>Revenues:</b>				
Commissions and fees	\$ 1,918,000	\$ 2,637,000	\$ 4,295,000	\$ 5,617,000
Investment banking	11,000	710,000	19,000	1,145,000
Trading profits	102,000	343,000	271,000	632,000
Interest and dividends	15,000	15,000	29,000	29,000
	2,046,000	3,705,000	4,614,000	7,423,000
<b>Expenses:</b>				
Employee compensation and benefits	1,289,000	1,982,000	2,711,000	3,933,000
Clearing fees, including floor brokerage	284,000	453,000	685,000	975,000
Professional fees	1,029,000	1,572,000	1,788,000	2,335,000
Loss related to arbitration settlement		4,300,000		4,300,000
Advertising and promotion	57,000	52,000	121,000	122,000
Communications	163,000	252,000	322,000	522,000
Occupancy	203,000	209,000	406,000	452,000
Other general and administrative	473,000	630,000	879,000	1,227,000
	3,498,000	9,450,000	6,912,000	13,866,000
Income/(loss) from equity investee	1,045,000	(332,000 )	357,000	394,000
Including in 2015, interest income on receivable of \$58,000 (three months) and \$114,000 (six months)				
Net loss	\$(407,000 )	\$(6,077,000 )	\$(1,941,000 )	\$(6,049,000 )
Net loss per share of common stock - Basic and Diluted	\$(.02 )	\$(.28 )	\$(.09 )	\$(.27 )
Weighted average shares outstanding - Basic and Diluted	22,085,126	22,085,126	22,085,126	22,085,126

See notes to condensed consolidated financial statements.

**Siebert Financial Corp. & Subsidiaries**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

	Six Months Ended	
	June 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(1,941,000)	\$(6,049,000 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	141,000	180,000
Income from equity investee	(243,000 )	(394,000 )
Distribution from equity investee	86,000	9,000
Interest accrued on receivable from equity investee	(114,000 )	—
Changes in:		
Securities owned, at fair value	(10,000 )	12,000
Receivable from brokers	46,000	(23,000 )
Prepaid expenses and other assets	116,000	77,000
Accounts payable and accrued liabilities	(263,000 )	4,677,000
Net cash used in operating activities	(2,182,000)	(1,511,000 )
Cash flows from investing activities:		
Purchase of furniture, equipment and leasehold improvements	(21,000 )	(96,000 )
Collection/Payment, net of advances made to equity investees	4,000	(12,000 )
Net cash used in investing activities	(17,000 )	(108,000 )
Net decrease in cash and cash equivalents	(2,199,000)	(1,619,000 )
Cash and cash equivalents - beginning of period	6,749,000	15,424,000
Cash and cash equivalents - end of period	\$4,550,000	\$13,805,000
Supplemental cash flow disclosures:		
Cash paid for:		
Income taxes	\$16,000	\$40,000

See notes to condensed consolidated financial statements.

## **Siebert Financial Corp. & Subsidiaries**

### **Notes to Condensed Consolidated Financial Statements Six Months Ended June 30, 2015 and 2014 (Unaudited)**

#### **1. Business and Basis of Presentation:**

Siebert Financial Corp. (the “Company”) is a holding company that conducts its retail discount brokerage business through its wholly-owned subsidiary, Muriel Siebert & Co., Inc. (“Siebert”), a Delaware corporation. Siebert’s principal activity is providing online and traditional brokerage and related services to retail investors. In addition, in 2014 the Company began business as a registered investment advisor through a wholly-owned subsidiary, Siebert Investment Advisors, Inc. (“SIA”). SIA offers advice to clients regarding asset allocation and the selection of investments.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Siebert, Women’s Financial Network, Inc. (“WFN”) and SIA. All material intercompany balances and transactions have been eliminated. Investment in Siebert Brandford Shank Financial, L.L.C. (“SBSF”) in which the Company has a 49% membership interest is accounted for by the equity method.

The condensed consolidated interim financial statements presented herein are unaudited and include all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of the financial position and results of operations of the interim periods pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America (“U.S.”) have been condensed or omitted pursuant to SEC rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. The balance sheet at December 31, 2014 has been derived from the audited consolidated statement of financial condition at that date, but does not include all information and footnotes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. Because of the nature of the Company’s business, the results of operations for the six months ended June 30, 2015 are not necessarily indicative of operating results for the full year.

#### **2. Sale of Capital Markets Group Business:**



On November 4, 2014, the Company, which held a 49% membership interest in, and the other members of, Siebert Brandford Shank & Co., LLC (“SBS”), contributed their SBS membership interests into a newly formed Delaware limited liability company, Siebert Brandford Shank Financial, L.L.C. (“SBSF”), in exchange for the same percentage interests in SBSF. On the same day, the Company entered into an Asset Purchase Agreement (the “SCM Purchase Agreement”) with SBS and SBSF, pursuant to which the Company sold substantially all of the Siebert Capital Markets Group (“SCM”) assets to SBSF. Pursuant to the Purchase Agreement, SBSF assumed post-closing liabilities relating to the transferred business.

The SCM Purchase Agreement provides for an aggregate purchase price for the disposition of \$3,000,000, payable by SBSF after closing in annual installments commencing on March 1, 2016 and continuing on each of March 1, 2017, 2018, 2019 and 2020. The transferred business was contributed by SBSF to, and operated by SBS. The amount payable to the Company on each annual payment date will equal 50% of the net income attributable to the transferred business recognized by SBS in accordance with generally accepted accounting principles during the fiscal year ending immediately preceding the applicable payment date; provided that, if net income attributable to the transferred business generated prior to the fifth annual payment date is insufficient to pay the remaining balance of the purchase price in full on the fifth annual payment date, then the unpaid amount of the purchase price will be paid in full on March 1, 2021.

Transferred assets of SCM, consisted of customer accounts and goodwill, which had no carrying value to the Company, and the Company recorded a gain on sale of \$1,820,000 in the fourth quarter of 2014, which reflected the fair value of the purchase obligation. Such fair value was based on the present value of estimated annual installments to be received during 2016 through 2020 from forecasted net income of the transferred business plus a final settlement in 2021, discounted at 11.5% (representing SBS’s weighted average cost of capital).

The discount recorded for the purchase obligation is being amortized as interest income using an effective yield initially calculated based on the original carrying amount of the obligation and estimated annual installments to be received. Such yield will be adjusted in future periods to reflect actual installments received and changes in estimates of future installments. Interest income recognized on the obligation for the three and six months periods ended June 30, 2015 amounted to approximately \$58,000 and \$114,000, respectively based on a yield of approximately 12%. As a result of the Company’s continuing involvement in the capital markets business through its 49% ownership in SBSF, results of operations of the capital market business were not reflected as discontinued operations in the accompanying financial statements.

**3. Securities:**

Securities owned are carried at fair value with realized and unrealized gains and losses reflected in trading profits. Siebert clears all its security transactions through unaffiliated clearing firms on a fully disclosed basis. Accordingly, Siebert does not hold funds or securities for, or owe funds or securities to, its customers. Those functions are performed by the clearing firms.

**4. Fair Value of Financial Instruments:**

Authoritative accounting guidance defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices that are observable, either directly or indirectly, and reasonably available.

Level 3 – Unobservable inputs which reflect the assumptions that management develops based on available information about the assumptions market participants would use in valuing the asset or liability.

The classification of financial instruments valued at fair value as of June 30, 2015, as follows:

Financial Instruments	Level 1
Cash equivalents	\$5,760,000
Securities	498,000
	\$6,258,000

Cash equivalents primarily represent investments in money market funds. Securities consist of common stock valued on the last business day of the period at the last available reported sales price on the primary securities exchange.

**5.**

**Per Share Data:**

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average outstanding common shares during the period. Diluted earnings per share is calculated by dividing net income by the number of shares outstanding under the basic calculation and adding all dilutive securities, which consist of options. The Company incurred a net loss for the three and six months ended both June 30, 2015 and June 30, 2014. Accordingly, basic and diluted net loss per common share are the same for each period as the effect of stock options is anti-dilutive. Shares underlying stock options not included in the diluted computation amounted to 265,000 in 2015 and 2014.

**6.**

**Net Capital:**

Siebert is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. Siebert has elected to use the alternative method, permitted by the Rule, which requires that Siebert maintain minimum net capital, as defined, equal to the greater of \$250,000 or two percent of aggregate debit balances arising from customer transactions, as defined. The Net Capital Rule of the New York Stock Exchange also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate debits. As of June 30, 2015, Siebert had net capital of approximately \$3,472,000 as compared with net capital requirements of \$250,000. Siebert claims exemptions from the reserve requirement under section 15c3-3(k)(2)(ii).

**7.**

**Revenue:**

Commission revenues and related clearing expenses are recorded on a trade-date basis. Fees, consisting principally of revenue participation with the Company's clearing broker in distribution fees and interest are recorded as earned.

Investment banking revenue includes gains and fees, net of syndicate expenses, arising from underwriting syndicates in which the Company participates. Investment banking management fees are recorded on the offering date, sales concessions on the settlement date and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

Trading profits are also recorded on a trade-date basis and principally represent riskless principal transactions in which the Company, after receiving an order, buys or sells securities as principal and at the same time sells or buys the securities with a markup or markdown to satisfy the order.

Interest is recorded on an accrual basis and dividends are recorded on the ex-dividend date.

## 8. Capital Transactions:

On January 22, 2008, the Board of Directors of the Company authorized a buy back of up to 300,000 shares of common stock. Shares will be purchased from time to time, at management's discretion, in the open market and in private transactions. The Company did not purchase any shares during the three and six months ended June 30, 2015.

At June 30, 2015, there are 265,000 outstanding options at a weighted average exercise price of \$3.02, which were fully vested and exercisable. As of June 30, 2015, there were no unrecognized compensation costs.

## 9. Investment in and advances to affiliate

### Siebert, Brandford, Shank Financial., L.L.C. ("SBSF")

Siebert and two individuals (the "Principals") formed SBS, a wholly-owned subsidiary of SBSF, to succeed to the tax-exempt underwriting business of the Siebert Brandford Shank division of Siebert (See note 2). The agreement with the principals provides that profits will be allocated 51% to the Principals and 49% to Siebert. Income or loss from SBS is considered to be integral to Siebert's operations and material to the results of operations.

Summarized financial data of SBSF and SBS is set forth below.

	<b>SBSF</b>	<b>SBS</b>
	June 30, 2015	June 30, 2014
Total assets, including secured demand note of \$1,200,000 due from Siebert	\$32,104,000	
Total liabilities, including purchase obligation of \$1,971,000, advance payable of \$100,000, and subordinated liabilities of \$1,200,000 due to Siebert	15,724,000	
Total members' capital	16,380,000	

Regulatory minimum net capital requirement	250,000	
Six months ended:		
Total revenues	\$ 13,969,000	\$ 12,384,000
Net income (loss)	495,000	810,000
Three months ended:		
Total revenues	9,919,000	4,649,000
Net income (loss)	2,014,000	(671,000 )

Siebert charged SBS \$50,000 for each of the six months ended June 30, 2015 and 2014, and \$25,000 for each of the three months ended June 30, 2015 and 2014, respectively, for general and administrative services, which Siebert believes approximates the cost of furnishing such services.

Siebert's share of SBSF's consolidated net income for the three and six months ended June 30, 2015, respectively amounted to \$1,045,000, net of interest income from the receivable from the SCM sale to SBSF of \$58,000, and \$357,000, net of interest income from the receivable from the SCM sale to SBSF of \$114,000. Siebert's share of SBS's net loss for the three months ended June 30 2014 amounted to \$332,000 and its share of SBS's net income for the six months ended June 30, 2014 amounted to \$354,000.

Siebert made a collections of \$361,000, net of \$357,000 of advances to SBS, during the six months ended June 30, 2015. Siebert received a distribution from SBSF of \$86,000 during the six months ended June 30, 2015, and Siebert's share of undistributed earnings of SBSF amounted to \$7.6 million at June 30, 2015. Such amount may not be immediately available for distribution to Siebert for various reasons including the amount of SBS's available cash, the provisions of the agreement among Siebert and the Principals and SBS's continued compliance with its regulatory net capital requirements.

#### **SBS Financial Products Company, LLC ("SBSFPC")**

Pursuant to the terms of an Operating Agreement, Siebert and each of the Principals owned a 33.33% interest in SBSFPC which engaged in derivatives transactions related to the municipal underwriting business. The Operating Agreement provides that income/(loss) be shared 66.66% by the Principals and 33.33% by Financial. For the three and six months ended June 30, 2014, SBSFPC had nominal activity and ceased operations in December 2014.

**10. Contingencies and Commitments:**

In July 2014, the Company entered into a settlement agreement with respect to a dispute with a former employee, which arose in a prior year. Pursuant to the settlement, the Company paid \$4,300,000 to the former employee, and all claims and counterclaims have been dismissed and released. The accompanying financial statements for the three and six months ended June 30, 2014 reflect a charge and related liability to give effect to the settlement.

Retail customer transactions are cleared through clearing brokers on a fully disclosed basis. If customers do not fulfill their contractual obligations, the clearing broker may charge Siebert for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy the customer obligations. Siebert regularly monitors the activity in its customer accounts for compliance with its margin requirements. Siebert is exposed to the risk of loss on unsettled customer transactions if customers are unable to fulfill their contractual obligations. There were no material losses for unsettled customer transactions for the six months ended June 30, 2015 and 2014.

Siebert is party to certain claims, suits and complaints arising in the ordinary course of business. In the opinion of management all such claims, suits and complaints are without merit, or involve amounts which would not have a material effect on the financial position or results of operations of the Company.

Siebert is party to a Secured Demand Note Collateral Agreement, as amended on July 29, 2013, with SBS which obligates Siebert to lend SBS, on a subordinated basis, up to \$1,200,000. The secured demand note payable held by SBS and a related \$1,200,000 receivable due from SBS are included in investments in and advances to equity investees in the accompanying consolidated statements of financial condition. Amounts that Siebert is obligated to lend under this arrangement are collateralized by cash equivalents of \$1,532,000. Any amounts loaned will bear interest at 4% per annum and are repayable on August 31, 2015.

**11. Income Taxes:**

No tax benefit has been recognized for the loss in the 2015 and 2014 periods as the Company has provided a valuation allowance to fully offset the related deferred tax asset for the loss carryforward as realization of such asset is not considered more likely than not due to cumulative losses incurred by the Company and its subsidiaries during the prior three years.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

This discussion should be read in conjunction with our audited consolidated financial statements as of and for the year ended December 31, 2014, and the unaudited consolidated financial statements and the notes thereto contained elsewhere in this Quarterly Report.

## Business Environment

Our working capital is invested primarily in money market funds, so that liquidity has not been materially affected. The stock market has improved in the six months ended June 30, 2015, however our revenue has not improved during this period. Our affiliate, Siebert, Brandford, Shank & Co., L.L.C. (“SBS”) had income for the current six months period of approximately \$495,000. This resulted in income to the Company of \$357,000 net of interest income on the receivable from the Siebert Capital Markets division sale to SBS of \$114,000 for the current six month period. Our expenses in 2014 include the costs and loss related to an arbitration proceeding commenced by a former employee following the termination of his employment which was settled in July 2014. The costs of defense, which are included as professional expenses during 2014 and related loss on settlement accrued for the three and six month periods ended June 30, 2014, adversely affected the Company’s result of operations in 2014. Competition in the brokerage industry remains intense.

The following table sets forth certain metrics as of June 30, 2015 and 2014 and for the three and six months ended June 30, 2015 and 2014, respectively, which we use in evaluating our business.

	<b>For the Three Months ended June 30,</b>		<b>For the Six Months ended June 30,</b>	
	2015	2014	2015	2014
<b>Retail Customer Activity:</b>				
Total retail trades:	59,852	67,102	128,394	147,884
Average commission per retail trade:	\$18.68	\$19.64	\$20.14	\$19.93

	<b>As of June 30,</b>	
	2015	2014
<b>Retail customer balances:</b>		
Retail customer net worth (in billions):	\$7.2	\$7.5
Retail customer money market fund value (in billions):	\$1.0	\$1.0
Retail customer margin debit balances (in millions):	264.1	\$251.3
Retail customer accounts with positions:	32,038	34,360

Description:

- Total retail trades represent retail trades that generate commissions.

Average commission per retail trade represents the average commission generated for all types of retail customer trades.

Retail customer net worth represents the total value of securities and cash in the retail customer accounts before deducting margin debits.

Retail customer money market fund value represents all retail customers accounts invested in money market funds.

Retail customer margin debits balances represent credit extended to our customers to finance their purchases against current positions.

- Retail customer accounts with positions represent retail customers with cash and/or securities in their accounts.

Like other securities firms, we are directly affected by general economic and market conditions including fluctuations in volume and prices of securities, changes and prospects for changes in interest rates and demand for brokerage and investment banking services, all of which can affect our relative profitability. In periods of reduced market activity, profitability is likely to be adversely affected because certain expenses, including salaries and related costs, portions of communications costs and occupancy expenses remain relatively fixed. Earnings, or loss, for any period should not be considered representative of any other period.



## Recent Developments

On November 4, 2014, the Company, which held a 49% membership interest in, and the other members of, Siebert Brandford Shank & Co., LLC (“SBS”), contributed their SBS membership interests into a newly formed Delaware limited liability company, Siebert Brandford Shank Financial, L.L.C. (“SBSF”), in exchange for the same percentage interests in SBSF. On the same day, the Company entered into an Asset Purchase Agreement (the “SCM Purchase Agreement”) with SBS and SBSF, pursuant to which the Company sold substantially all of the assets relating to the Company’s capital markets business to SBSF. Pursuant to the SCM Purchase Agreement, SBSF assumed post-closing liabilities relating to the transferred business.

The SCM Purchase Agreement provides for an aggregate purchase price for the disposition of \$3,000,000, payable by SBSF after closing in annual installments commencing on March 1, 2016 and continuing on each of March 1, 2017, 2018, 2019 and 2020. The transferred business was contributed by SBSF to, and operated by SBS. The amount payable to the Company on each annual payment date will equal 50% of the net income attributable to the transferred business recognized by SBS in accordance with generally accepted accounting principles during the fiscal year ending immediately preceding the applicable payment date; provided that, if net income attributable to the transferred business generated prior to the fifth annual payment date is insufficient to pay the remaining balance of the purchase price in full on the fifth annual payment date, then the unpaid amount of the purchase price will be paid in full on March 1, 2021.

Transferred assets of the Company’s capital markets business consisted of issuer relationships and goodwill, which assets had no carrying value to the Company, and the Company recorded a gain on sale of \$ 1,820,000, which reflected the fair value of the purchase obligation. Such fair value (Level 3) was based on the present value of estimated annual installments to be received during 2016 through 2020 from forecasted net income of the transferred business plus a final settlement in 2021, discounted at 11.5% (representing SBS’s weighted average cost of capital).

The discount recorded for the purchase obligation will be amortized as interest income using an effective yield, initially calculated based on the original carrying amount of the obligation and estimated annual installments to be received and adjusted in future periods to reflect actual installments received and changes in estimates of future installments. Interest income recognized on the obligation for the period ended June 30, 2015 amounted to approximately \$114,000 based on a yield of approximately 12%.

As a result of the Company’s continuing involvement in the capital markets business through its 49% ownership in SBSF, results of operations of the capital markets business and the gain on sale were not reflected as discontinued operations in the accompanying statement of operations.

On January 23, 2008, the Board of Directors of the Company authorized a buy back of up to 300,000 shares of common stock. Shares will be purchased from time to time, in our discretion, in the open market and in private transactions. During the six months ended June 30, 2015, the Company did not purchase any shares.

### **Critical Accounting Policies**

We generally follow accounting policies standard in the brokerage industry and believe that our policies appropriately reflect our financial position and results of operations. Our management makes significant estimates that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosure of contingent assets and liabilities included in the financial statements. The estimates relate primarily to revenue and expense items in the normal course of business as to which we receive no confirmations, invoices, or other documentation at the time the books are closed for a period. We use our best judgment, based on our knowledge of these revenue transactions and expenses incurred, to estimate the amounts of such revenue and expense. We are not aware of any material differences between the estimates used in closing our books for the last five years and the actual amounts of revenue and expenses incurred when we subsequently receive the actual confirmations, invoices or other documentation. Estimates are also used in determining the useful lives of intangible assets, and the fair market value of intangible assets and securities. Our management believes that its estimates are reasonable.

### **Results of Operations**

We had a net loss of \$407,000 and \$1,941,000 for the three months and six months ended June 30, 2015, respectively.

#### ***Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014***

Total revenues for the three months ended June 30, 2015 were \$2.0 million, a decrease of \$1,659,000 or 44.8% from the same period in 2014.

Commission and fee income for the three months ended June 30, 2015 was \$1.9 million, a decrease of \$719,000 or 27.3% from the same period in 2014, primarily due to a decrease in retail customer trading and ticket average, commission recapture business, institutional participation, and debt market opportunities offset by an increase in margin debit rebates as a result of higher margin debit balances. The two events that caused these decreases in institutional participation were the Siebert Capital Markets division sale to our affiliate on November 4, 2014 and our commission recapture business closing down operations on September 30, 2014.

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Investment banking revenues for the three months ended June 30, 2015 were \$11,000, a decrease of \$699,000 or 98.5% from the same period in 2014 due to our Siebert Capital Markets division sale to our affiliate on November 04, 2014.

Trading profits were \$102,000 for the three months ended June 30, 2015, a decrease of \$241,000 or 70.3% from the same period in 2014 due to an overall decrease in trading volume primarily in the debt markets.

Interest and dividends for the three months ended June 30, 2015 and June 30, 2014 were \$15,000.

Total expenses for the three months ended June 30, 2015 were \$3.5 million, a decrease of \$6.0 million or 63.0% from the same period in 2014.

Employee compensation and benefit costs for the three months ended June 30, 2015 were \$1.3 million, a decrease \$693,000 or 35.0% from the same period in 2014 due to a decrease in commissions and bonus based on production in the capital markets due to our Siebert Capital Markets division sale to our affiliate on November 4, 2014. In addition, savings resulted from a lower headcount in 2015.

Clearing and floor brokerage costs for the three months ended June 30, 2015 were \$284,000, a decrease of \$169,000 or 37.3% from the same period in 2014 primarily due to lower retail customer trading volumes, as well as our commission recapture business closing down operations on September 30, 2014.

Professional fees for the three months ended June 30, 2015, were \$1.0 million, a decrease of \$543,000 or 34.5% from the same period in 2014 primarily due to decreases in legal fees relating to a dispute with a former employee settled in July 2014.

Loss related to arbitration settlement with a former employee for the three months ended June 30, 2014 amounted to \$4.3 million.

Advertising and promotion expenses for the three months ended June 30, 2015 were \$57,000, an increase of \$5,000 or 9.6% from the same period in 2014 due to an increase in online advertising.

Communications expense for the three months ended June 30, 2015, was \$163,000, a decrease of \$89,000 or 35.3% from the same period in 2014 primarily due to savings from a lower headcount in 2015 due to our Siebert Capital

Markets division sale to our affiliate on November 04, 2014.

Occupancy costs for the three months ended June 30, 2015 were \$203,000, a decrease of \$6,000 or 2.9% from the same period in 2014 due to the closing of our West Palm Beach office effective March 31, 2014.

Other general and administrative expenses for the three months ended June 30, 2015 were \$473,000, a decrease of \$157,000 or 24.9% from the same period in 2014 due to a decrease in depreciation, travel and entertainment, and transportation offset by an increase in D&O insurance and office expenses.

Income from Siebert's equity investment in SBSF (an entity in which Siebert holds a 49% equity interest), for the three months ended June 30, 2015, was \$1.0 million which includes interest on the receivable of \$58,000 from the Siebert Capital Markets division sale to SBS, compared to a loss of \$332,000 from the same period in 2014 due to SBS participating in more senior managed and co-managed transactions.

No tax benefit related to the pre-tax loss was recorded for the three months ended June 30, 2015 and June 30, 2014 due to the recording of a full valuation allowance to offset deferred tax assets based on recent losses and the likelihood of realization of such assets.

***Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014***

Total revenues for the six months ended June 30, 2015 were \$4.6 million, a decrease of \$2.8 million or 37.8% from the same period in 2014.

Commission and fee income for the six months ended June 30, 2015 was \$4.3 million, a decrease of \$1.3 million 23.5% from the same period in 2014 due to a decrease in retail customer trading, commission recapture business, institutional participation, and debt market opportunities offset by an increase in margin debit rebates as a result of higher margin debit balances. The two events that caused these decreases in institutional participation were the Siebert Capital Markets division sale to our affiliate on November 4, 2014 and our commission recapture business closing down operations on September 30, 2014.

Investment banking revenues for the six months ended June 30, 2015 were \$19,000, a decrease of \$1.1 million or 98.3% from the same period in 2014 due to our Siebert Capital Markets division sale to our affiliate on November 4, 2015.

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Trading profits were \$271,000 for the six months ended June 30, 2015, a decrease of \$361,000 or 57.1% from the same period in 2014 due to an overall decrease in trading volume in the debt markets.

Interest and dividends for the six months ended June 30, 2015 and June 30, 2014 were \$29,000.

Total expenses for the six months ended June 30, 2015 were \$6.9 million, a decrease of \$7.0 million or 50.2% from the same period in 2014.

Employee compensation and benefit costs for the six months ended June 30, 2015 were \$2.7 million, a decrease of \$1.2 million or 31.1% from the same period in 2014 due to a decrease in commissions and bonus based on production in the capital markets due to our Siebert Capital Markets division sale to our affiliate on November 4, 2014. In addition, savings resulted from a lower headcount in 2015.

Clearing and floor brokerage costs for the six months ended June 30, 2015 were \$685,000 a decrease of \$290,000 or 29.7% from the same period in 2014 primarily due to lower retail customer trading volumes, as well as our commission recapture business closing down operations on September 30, 2014.

Professional fees for the six months ended June 30, 2015 were \$1.8 million, a decrease of \$547,000 or 23.4% from the same period in 2014 primarily due to decreases in legal fees relating to a dispute with a former employee settled in July 2014.

Loss related to arbitration settlement with a former employee for the six months ended June 30, 2014 amounted to \$4.3 million.

Advertising and promotion expenses for the six months ended June 30, 2015 were \$121,000, a decrease of \$1,000 or 0.8% from the same period in 2014 primarily due to a decrease in public relations costs.

Communications expense for the six months ended June 30, 2015 were \$322,000, a decrease of \$200,000 or 38.3% from the same period in 2014 primarily due to savings from a lower headcount in 2015 due to our Siebert Capital Markets division sale to our affiliate on November 4, 2014.

Occupancy costs for the six months ended June 30, 2015 were \$406,000, a decrease of \$46,000 or 10.2% from the same period in 2014 due to the closing of our West Palm Beach office effective March 31, 2014. In addition our

Jersey City branch had lower operating expenses in 2015.

Other general and administrative expenses for the six months ended June 30, 2015 were \$879,000, a decrease of \$348,000 or 28.4% from the same period in 2014 due to a decrease in depreciation, travel and entertainment, repairs and transportation offset by an increase in D&O insurance and office expenses.

Income from Siebert's equity investment in SBSF (an entity in which Siebert holds a 49% equity interest), for the six months ended June 30, 2015, was \$357,000, which includes interest on receivable of \$114,000 from the Siebert Capital Markets division sale to SBS, compared to income of \$394,000 from the same period in 2014 due to SBS participating in less senior managed and co-managed transactions.

No tax benefit related to the pre-tax loss was recorded for the six months ended June 30, 2015 and June 30, 2014 due to the recording of a full valuation allowance to offset deferred tax assets based on recent losses and the likelihood of realization of such assets.

### **Liquidity and Capital Resources**

Our total assets at June 30, 2015 were \$18.5 million. As of that date, we regarded \$4.6 million, or 24.6%, of total assets as highly liquid.

Siebert is subject to the net capital requirements of the SEC, the NYSE and other regulatory authorities. At June 30, 2015, Siebert's regulatory net capital was approximately \$3.5 million, \$3.2 million in excess of its minimum capital requirement of \$250,000.

On January 22, 2008, the Board of Directors of the Company authorized a buy back of up to 300,000 shares of common stock. During the six months ended June 30, 2015, no shares were purchased.

Siebert has entered into a Secured Demand Note Collateral Agreement with SBS under which Siebert is obligated to lend to SBS up to \$1.2 million on a subordinated basis collateralized by cash equivalents of approximately \$1.5 million as of June 30, 2015. Amounts obligated to be loaned by Siebert under the facility are reflected on our balance sheet as "cash equivalents – restricted". SBS pays Siebert interest on this amount at the rate of 4% per annum. The facility expires on August 31, 2015 at which time SBS is obligated to repay to Siebert any amounts borrowed by SBS thereunder.



### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

Working capital is generally invested temporarily in dollar denominated money market funds. These investments are not subject to material changes in value due to interest rate movements.

Retail customer transactions are cleared through clearing brokers on a fully disclosed basis. If customers do not fulfill their contractual obligations, the clearing broker may charge Siebert for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy the customers' obligations. Siebert regularly monitors the activity in its customer accounts for compliance with its margin requirements. Siebert is exposed to the risk of loss on unsettled customer transactions if customers and other counter-parties are unable to fulfill their contractual obligations. There were no material losses for unsettled customer transaction as of June 30, 2015.

### **Item 4. Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange of 1934, as amended. Based on that evaluation, our Chief Financial Officer concluded that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to our Chief Financial Officer, to allow timely decisions regarding timely disclosure.

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Part II - OTHER INFORMATION

### Item 1. Legal Proceedings

We are involved in various routine lawsuits of a nature deemed to be customary and incidental to our business. In the opinion of management, the ultimate disposition of such actions will not have a material adverse effect on the Company's financial position or results of operations.

In July 2014, the Company entered into a settlement agreement with respect to a dispute with a former employee, which arose in a prior year. Pursuant to the settlement, the Company paid \$4,300,000 to the former employee, and all claims and counterclaims have been dismissed and released.

### Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, which could materially affect our business, financial position and results of operations. There are no material changes from the risk factors set forth in Part I, Item 1A, "Risk Factors," of our Annual Report on Form 10-K for the year ended December 31, 2014.

### Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

On January 23, 2008, our Board of Directors authorized the repurchase of up to 300,000 shares of our common stock. Shares will be purchased from time to time, in our discretion, in the open market and in private transactions. There is no expiration date for our stock repurchase plan.

We did not purchase shares in the second quarter of 2015.

Item 6. Exhibits

31.1 Certification of Joseph M. Ramos, Jr. pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Joseph M. Ramos, Jr. of Periodic Financial Report under Section 906 of the Sarbanes-Oxley Act of 2002.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIEBERT FINANCIAL CORP.

By: */s/ Joseph M. Ramos, Jr.*

Joseph M. Ramos, Jr.

Executive Vice President, Chief Operating Officer,

Chief Financial Officer and Secretary

(Principal executive, financial and accounting officer)

Dated: August 14, 2015