

SIEBERT FINANCIAL CORP  
Form 10-Q  
August 14, 2009

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**U.S. SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**  
**FORM 10-Q**

(Mark One)

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **June 30, 2009**

Transition report under 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)

**New York**

(State or Other Jurisdiction of Incorporation)

**11-1796714**

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

**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 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

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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 registrant was required to submit and post such files.)

Yes  No

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

(Check one) 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

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of August 4, 2009, there were 22,195,259 shares of Common Stock, par value \$.01 per share, outstanding.

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*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 document, 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; 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 lower rates on commissions than we do; prevalence of a flat fee environment; decline in participation in equity 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  
Consolidated Statements of Financial Condition

|  | June 30, 2009<br>(Unaudited) | December 31,<br>2008 |
|--|------------------------------|----------------------|
| <b>ASSETS</b>  |                              |                      |
| Cash and cash equivalents  | \$ 28,826,000                | \$ 29,617,000        |
| Cash equivalents restricted  | 1,300,000                    | 1,300,000            |
| Receivable from clearing brokers   | 2,295,000                    | 1,682,000            |
| Securities owned, at fair value  | 1,202,000                    | 758,000              |
| Furniture, equipment and leasehold improvements, net   | 1,382,000                    | 1,481,000            |
| Investment in and advances to equity investees   | 7,545,000                    | 6,480,000            |
| Income tax refund receivable   | 758,000                      | 1,312,000            |
| Prepaid expenses and other assets  | 963,000                      | 1,026,000            |
| Intangibles, net   | 750,000                      | 775,000              |
| Deferred taxes   | 1,119,000                    | 1,148,000            |
|  | \$ 46,140,000                | \$ 45,579,000        |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>   |                              |                      |
| Liabilities:   |                              |                      |
| Securities sold short, at fair value   | 865,000                      |                      |
| Accounts payable and accrued liabilities   | 4,456,000                    | 4,995,000            |
|  | 5,321,000                    | 4,995,000            |
| Stockholders equity:   |                              |                      |
| Common stock, \$.01 par value; 49,000,000 shares authorized, 23,211,846 shares issued and 22,194,098 and 22,202,115 outstanding at June 30, 2009 and December 31, 2008, respectively | 232,000                      | 232,000              |
| Additional paid-in capital   | 19,470,000                   | 19,454,000           |
| Retained earnings  | 25,664,000                   | 25,432,000           |
| Less: 1,017,748 and 1,009,731 shares of treasury stock, at cost at June 30, 2009 and December 31, 2008, respectively   | (4,547,000)                  | (4,534,000)          |
|  | 40,819,000                   | 40,584,000           |
|  | 46,140,000                   | \$ 45,579,000        |

See notes to consolidated financial statements.

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

|  | Three Months Ended<br>June 30, |              | Six Months Ended<br>June 30, |               |
|--|--------------------------------|--------------|------------------------------|---------------|
|  | 2009                           | 2008         | 2009                         | 2008          |
| <b>Revenues:</b>                         |                                |              |                              |               |
| Commissions and fees                     | \$ 5,185,000                   | \$ 5,832,000 | \$ 9,751,000                 | \$ 12,033,000 |
| Investment banking                       | 1,556,000                      | 1,187,000    | 3,433,000                    | 2,444,000     |
| Trading profits                          | 508,000                        | 213,000      | 1,039,000                    | 252,000       |
| Interest and dividends                   | 25,000                         | 143,000      | 51,000                       | 543,000       |
|  | 7,274,000                      | 7,375,000    | 14,274,000                   | 15,272,000    |
| <b>Expenses:</b>                         |                                |              |                              |               |
| Employee compensation and benefits       | 2,860,000                      | 2,630,000    | 5,893,000                    | 5,900,000     |
| Clearing fees, including floor brokerage | 1,560,000                      | 1,501,000    | 3,034,000                    | 3,079,000     |
| Professional fees                        | 1,510,000                      | 2,013,000    | 3,459,000                    | 3,199,000     |
| Advertising and promotion                | 209,000                        | 301,000      | 487,000                      | 604,000       |
| Communications                           | 644,000                        | 646,000      | 1,282,000                    | 1,290,000     |
| Occupancy                                | 329,000                        | 317,000      | 652,000                      | 643,000       |
| Other general and administrative         | 620,000                        | 668,000      | 1,301,000                    | 1,383,000     |
|  | 7,732,000                      | 8,076,000    | 16,108,000                   | 16,098,000    |
| Income from equity investees             | 1,444,000                      | 1,636,000    | 2,288,000                    | 1,579,000     |
| Income before income taxes               | 986,000                        | 935,000      | 454,000                      | 753,000       |
| Provision for income taxes               | 422,000                        | 367,000      | 222,000                      | 313,000       |
| Net Income                               | 564,000                        | \$ 568,000   | 232,000                      | \$ 440,000    |
| Net income per share of common stock -   |                                |              |                              |               |
| Basic and Diluted                        | \$ .03                         | \$ .03       | \$ .01                       | \$ .02        |
| Weighted average shares outstanding -    |                                |              |                              |               |
| Basic                                    | 22,195,886                     | 22,211,895   | 22,197,658                   | 22,212,120    |
| Diluted                                  | 22,210,725                     | 22,264,067   | 22,212,692                   | 22,264,654    |

See notes to consolidated financial statements.

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

|   | <b>Six Months Ended<br/>June 30,</b> |              |
|---|--------------------------------------|--------------|
|   | <b>2009</b>                          | <b>2008</b>  |
| <b>Cash flows from operating activities:</b>                                  |                                      |              |
| Net income  | \$ 232,000                           | \$ 440,000   |
| Adjustments to reconcile net income to net cash used in operating activities: |                                      |              |
| Depreciation and amortization   | 246,000                              | 220,000      |
| Income from equity investees  | (2,288,000)                          | (1,579,000)  |
| Deferred taxes  | 29,000                               | 21,000       |
| Distribution from equity investees  | 1,124,000                            | 812,000      |
| Employee stock based compensation   | 16,000                               | 28,000       |
| Securities owned, at fair value   | (444,000)                            |              |
| Securities sold short, at fair value  | 865,000                              |              |
| Unrealized loss of securities owned, at market value - other                  |                                      | 232,000      |
| Proceeds from sale of securities owned, at market value - other               |                                      | 236,000      |
| Changes in:   |                                      |              |
| Receivable from clearing brokers  | (613,000)                            | (972,000)    |
| Prepaid expenses and other assets   | 63,000                               | 16,000       |
| Accrued interest on securities owned, at market value Treasury bills          |                                      | (288,000)    |
| Income tax refund receivable  | 554,000                              |              |
| Accounts payable and accrued liabilities                                      | (539,000)                            | (1,428,000)  |
| Net cash used in operating activities   | (755,000)                            | (2,262,000)  |
| <b>Cash flows from investing activities:</b>                                  |                                      |              |
| Purchase of securities owned, at market value Treasury bills                  |                                      | (24,798,000) |
| Purchase of furniture, equipment and leasehold improvements                   | (122,000)                            | (411,000)    |
| Net advances repaid by equity investees                                       | 99,000                               | 61,000       |
| Net cash used in investing activities   | (23,000)                             | (25,148,000) |
| <b>Cash flows from financing activities:</b>                                  |                                      |              |
| Dividend on common stock  |                                      | (468,000)    |
| Repurchase of common stock  | (13,000)                             | (12,000)     |
| Net cash used in financing activities   | (13,000)                             | (480,000)    |
| Net decrease in cash and cash equivalents                                     | (791,000)                            | (27,890,000) |
| Cash and cash equivalents - beginning of period                               | 29,617,000                           | 34,589,000   |
| Cash and cash equivalents - end of period                                     | \$ 28,826,000                        | \$ 6,699,000 |
| <b>Supplemental cash flow disclosures:</b>                                    |                                      |              |
| Cash paid for:  |                                      |              |
| Income taxes  | \$ 11,000                            | \$ 239,000   |

See notes to consolidated financial statements.



**Siebert Financial Corp. & Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**Six Months Ended June 30, 2009 and 2008**  
**(Unaudited)**

**1. Organization and Basis of Presentation:**

The consolidated financial statements include the accounts of Siebert Financial Corp. (the Company) and its wholly owned subsidiaries Muriel Siebert & Co., Inc. (Siebert) and Siebert Women's Financial Network, Inc. (WFN). All material intercompany balances and transactions have been eliminated. Investment in two entities in which the Company has ownership interests of 49% and 33.33%, respectively, are accounted for by the equity method. The statements are unaudited; however, in the opinion of management, all adjustments considered necessary to reflect fairly the Company's financial position and results of operations, consisting of normal recurring adjustments, have been included.

The accompanying consolidated financial statements do not include all of the information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the statements should be read in conjunction with the audited financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2008. Because of the nature of the Company's business, the results of any interim period are not necessarily indicative of results for a full year.

**2. Securities Transactions:**

Securities transactions include trading profits, commission revenues and related clearing expenses which are recorded on a trade date basis.

Marketable securities are valued at fair value. Interest is recorded on an accrual basis. Dividends are recorded on the ex-dividend date. Siebert clears all its security transactions through two 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, which are highly capitalized.

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. In determining fair value, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable firm inputs. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 valued based on quoted prices at the measurement date for identical assets or liabilities trading in active markets.

Level 2 quoted prices in active markets for similar assets and liabilities and inputs that are observable for the asset or liability.

Level 3 valuations derived from valuation techniques in which one or more significant inputs is not readily observable.



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As of June 30, 2009, accounts which are measured at fair value are classified as follows:

| Securities owned  | Level 1    | Level 2    | Total        |
|---|------------|------------|--------------|
| New York State Dormitory Revenue Bonds                              |            | \$ 507,000 | \$ 507,000   |
| New York State Thruway Authority Second Generation Highway & Bridge |            | \$ 251,000 | \$ 251,000   |
| New York General Obligation Bonds                                   |            | \$ 115,000 | \$ 115,000   |
| New York State Authority Personal Income Tax                        |            | \$ 112,000 | \$ 112,000   |
| Common stock  | \$ 217,000 |            | \$ 217,000   |
|   | \$ 217,000 | \$ 985,000 | \$ 1,202,000 |
| <b>Securities sold short</b>  |            |            |              |
| United States Treasury Bonds  | \$ 865,000 |            | \$ 865,000   |
|   | \$ 865,000 |            | \$ 865,000   |

Common stocks held long and treasury bonds sold short classified within Level 1 of the fair value hierarchy and are valued on the last business day of the year at the last available reported sales price on the primary securities exchange.

Municipal Bonds held long classified within Level 2 of the fair value hierarchy are valued based on prices obtained from pricing sources, which derive values from observable inputs.

### 3. Earnings per Share:

Basic earnings per share is calculated by dividing net income by the weighted average outstanding 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 treasury stock method is used to reflect the dilutive effect of outstanding options, which, for the three months ended June 30, 2009 and 2008 amounted to 14,839 and 52,172 additional shares, respectively, added to the basic weighted average outstanding shares of 22,195,886 and 22,211,895, respectively and for the six months ended June 30, 2009 and 2008 amounted to 15,034 and 52,534 additional shares, respectively added to the basic weighted average outstanding shares of 22,197,658 and 22,212,120, respectively. Potentially dilutive securities consisting of outstanding options not included in the computation of diluted income per share as the effect would have been anti-dilutive for all periods amounted to 1,727,200 shares.

**4. Net Capital:**

Siebert is subject to the Securities and Exchange Commission'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 five percent of aggregate debits. As of June 30, 2009, Siebert had net capital of approximately \$24,362,000 as compared with net capital requirements of \$250,000.

**5. 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. During the six months ended June 30, 2009, the Company purchased 8,017 shares at an average price of \$1.67.

**6. Siebert Brandford Shank & Co., LLC:**

Summarized financial data (presented in thousands) of Siebert Brandford Shank & Co., LLC, (SBS) is set forth below. Siebert holds a 49% ownership interest in SBS which is engaged in municipal bond underwritings. Income from SBS is considered to be integral to Siebert's operations and material to the results of operations.

|  | June 30,      |            |
|--|---------------|------------|
|  | 2009          | 2008       |
| Total assets including secured demand note of \$1,200,000 due from Siebert         | \$ 48,016,000 |            |
| Total liabilities including subordinated liabilities of \$1,200,000 due to Siebert | 33,214,000    |            |
| Total members' capital   | 14,803,000    |            |
| Six months ended:  |               |            |
| Total revenues   | 21,185,000    | 15,451,000 |
| Net income   | 5,041,000     | 3,259,000  |
| Three months ended:  |               |            |
| Total revenues   | 12,125,000    | 10,850,000 |
| Net income   | 3,181,000     | 3,356,000  |
| Regulatory minimum net capital requirement   | 792,000       | 339,000    |

Siebert charged SBS \$38,000 and \$65,000 for the six months ended June 30, 2009 and 2008, respectively, and \$19,000 for the three months ended June 30, 2009 and 2008, respectively, for general and administrative services, which Siebert believes approximates the cost of furnishing such services.

Siebert's share of net income for the three months ended June 30, 2009 and 2008 amounted to \$1,559,000 and \$1,644,000, respectively, and for the six months ended June 30, 2009 and 2008 amounted to \$2,470,000 and \$1,597,000, respectively.

Siebert's share of undistributed earnings from SBS amounted to \$6,861,000 at June 30, 2009. 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 between Siebert and the principals and SBS's continued compliance with its regulatory and net capital requirements.

**7. SBS Financial Products Company, LLC**

The Company has a 33.33% ownership interest in, and the two individual principals of SBS have an aggregate 66.66% ownership interest in, SBS Financial Products Company, LLC, ( SBSFPC ) which engages in derivatives transactions related to the municipal underwriting business. Income/(loss) from SBSFPC is considered to be integral to the Company's operations and material to the results of operations.

Summarized financial data of SBSFPC is set forth below.

|                        | <b>June 30,</b> |             |
|------------------------|-----------------|-------------|
|                        | <b>2009</b>     | <b>2008</b> |
| Total assets           | \$ 78,300,000   |             |
| Total liabilities      | 77,669,000      |             |
| Total members' capital | 631,000         |             |
| Six months ended:      |                 |             |
| Total revenues         | (442,000)*      | 144,000     |
| Net loss               | (546,000)       | (53,000)    |
| Three months ended:    |                 |             |
| Total revenues         | (288,000)*      | 56,000      |
| Net loss               | (344,000)       | (25,000)    |

\* Attributable to unrealized loss on derivative contracts.

The Company's share of net loss for the three months ended June 30, 2009 and 2008 amounted to \$115,000 and \$8,000 and for the six months ended June 30, 2009 and 2008 amounted to \$182,000 and \$18,000, respectively.

At June 30, 2009, SBSFPC had an accumulated loss of \$569,000 of which the Company's share was \$190,000.

**8. Contingent Liabilities:**

Siebert terminated a clearing agreement (the Clearing Agreement) with Pershing LLC (Pershing) in 2003. Based on consultation with counsel, Siebert believes that \$1,500,000 that it advanced to Pershing in January 2003 should have been returned. Pershing expressed its belief that it was entitled to retain the advance and receive a minimum of \$3 million for its unreimbursed costs, a termination fee of \$500,000 and \$5 million for lost revenues. Siebert received a release for the \$3 million related to disputed claims for unreimbursed fees and costs. In 2004, Siebert decided not to commence proceedings against Pershing and charged off the \$1,500,000 advance to Pershing. Siebert believes the Pershing claims are without merit and that the ultimate outcome of this matter will not have a material adverse effect on the Company's results of operations or financial position.

The Company is involved in various routine lawsuits of a nature deemed by the Company customary and incidental to its business. In the opinion of management, the ultimate disposition of such actions will not have a material adverse effect on its financial position or results of operations.

**9. Recent Accounting Pronouncements**

In May 2009, the FASB issued SFAS No. 165 Subsequent Events (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS 165 sets forth (1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date. SFAS 165 is effective for interim or annual financial periods ending after June 15, 2009. The Company adopted SFAS 165 in the quarter ended June 30, 2009 and evaluated subsequent events through August 14, 2009, the date the financial statements were issued.

In June 2009, the FASB issued SFAS No. 166 Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 improves the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial

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performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. SFAS 166 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 166 will have on its financial statements.

In June 2009, the FASB issued SFAS No. 167 Amendments to FASB Interpretation No. 46(R) ( SFAS 167 ). SFAS 167 improves financial reporting by enterprises involved with variable interest entities and to address (1) the effects on certain provisions of FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities , as a result of the elimination of the qualifying special-purpose entity concept in SFAS 166 and (2) constituent concerns about the application of certain key provisions of Interpretation 46(R), including those in which the accounting and disclosures under the Interpretation do not always provide timely and useful information about an enterprise's involvement in a variable interest entity. SFAS 167 is effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. The Company is evaluating the impact the adoption of SFAS 167 will have on its financial statements.

In April 2009, the FASB issued FASB Staff Position No. FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments ( FSP FAS 107-1 and APB 28-1 ). FSP FAS 107-1 and APB 28-1 extends the disclosure requirements of SFAS No. 107 to interim period financial statements, in addition to the existing requirements for annual periods and reiterates SFAS No. 107's requirement to disclose the methods and significant assumptions used to estimate fair value. FSP FAS 107-1 and APB 28-1 is effective for the Company's interim periods ending after June 15, 2009 and will be applied on a prospective basis. FSP FAS 107-1 and APB 28-1 were adopted June 30, 2009 and had no impact on the Company's disclosures.

In April 2009, the FASB issued FASB Staff Position No. FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ( FSP FAS 157-4 ). FSP FAS 157-4 is effective for the Company's interim and annual periods ending after June 15, 2009 and will be applied on a prospective basis. FSP FAS 157-4 was adopted June 30, 2009 and had no impact on the Company's financial position, results of operations or cash flows.

### **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, 2008, and the unaudited consolidated financial statements and the notes thereto contained elsewhere in this Quarterly Report.

## Business Environment

The stock market rebounded in the second quarter of 2009 despite the volatility in the marketplace due to the financial crisis affecting the global economy. Competition in the securities industry remains intense especially with regard to retail customer account acquisition and retention.

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 January 23, 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, 2009, the Company purchased 8,017 shares at an average price of \$1.67.

## 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 effect 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 value of intangible assets and securities. Our management believes that its estimates are reasonable.

## Results of Operations

We believe that our business reflects the current difficult business environment for discount and online and institutional brokers. We had net income of \$564,000 and \$232,000 for the three months and six months ended June 30, 2009, respectively.

### *Three Months Ended June 30, 2009 Compared to Three Months Ended June 30, 2008*

Total revenues for the three months ended June 30, 2009 were \$7.3 million, a decrease of \$101,000 or 1.4% from the same period in 2008.

Commission and fee income for the three months ended June 30, 2009 was \$5.2 million, a decrease of \$647,000 or 11.1% from the same period in 2008 due to a decrease in fees from margin debits due to lower margin debit balances and lower rates and a decrease in the commission recapture operation offset by an increase in institutional trading due to the addition of an equity sales-trader.

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Investment banking revenues for the three months ended June 30, 2009 were \$1.6 million, an increase of \$369,000 or 31.1% from the same period in 2008 due to our participation in more new issues in the equity and debt capital markets.

Trading profits were \$508,000 for the three months ended June 30, 2009, an increase of \$295,000 or 138.5% from the same period in 2008 due to an overall increase in trading volume primarily in the debt markets.

Interest and dividends for the three months ended June 30, 2009 were \$25,000, a decrease of \$118,000 or 82.5% from the same period in 2008 primarily due to lower yields on investments in U.S. Treasury Bills and money market funds and lower cash balances.

Total expenses for the three months ended June 30, 2009 were \$7.7 million, a decrease of \$344,000 or 4.3% from the same period in 2008.

Employee compensation and benefit costs for the three months ended June 30, 2009 were \$2.9 million, an increase of \$230,000 or 8.8% from the same period in 2008. This increase was due to increases in commissions paid based on production and health benefits offset by a reduced headcount in administrative and customer service staff and staff bonus accrual.

Clearing and floor brokerage costs for the three months ended June 30, 2009 were \$1.6 million, an increase of \$59,000 or 3.9% from the same period in 2008 primarily due to an increase in execution charges for institutional debt customers offset by a decrease in volume relating to the commission recapture operations.

Professional fees for the three months ended June 30, 2009, were \$1.5 million, a decrease of \$503,000 or 25.0% from the same period in 2008 primarily due to a decrease in legal fees relating to former employee matters and consulting fees relating to the commission recapture business.

Advertising and promotion expenses for the three months ended June 30, 2009 were \$209,000, a decrease of \$92,000 or 30.6% from the same period in 2008 primarily due to a decrease in production and airing of television commercials in the Florida region.

Communications expense for the three months ended June 30, 2009, was \$644,000, a decrease of \$2,000 from the same period in 2008 primarily due to a decrease in quotation costs associated with our retail customer base offset by an increase in local telephone usage.

Occupancy costs for the three months ended June 30, 2009 were \$329,000, an increase of \$12,000 or 3.8% from the same period in 2008 due to an increase in utilities and commercial rent tax at the corporate headquarters in New York.

Other general and administrative expenses for the three months ended June 30, 2009 were \$620,000, a decrease of \$48,000 or 7.2% from the same period in 2008 due to the decrease in travel and entertainment, subscriptions, printing and maintenance.

Income from Siebert's equity investment in Siebert Brandford Shank & Co., LLC, an entity in which Siebert holds a 49% equity interest (SBS), for the three months ended June 30, 2009, was \$1.6 million, a decrease of \$85,000 or 5.2% from the same period in 2008. SBS serves as an underwriter for municipal bond offerings. This decrease was due to SBS participating as manager or co-manager in fewer transactions. Loss from our equity investment in SBS Financial Products Company, LLC, an entity in which we hold a 33% equity interest (SBSFPC) for the three months ended June 30, 2008, was \$115,000 as compared to a loss of \$9,000 from the same period in 2008. This loss was due to the market loss in positions. We consider income and loss from equity investees to be integral to our operations and material to the results of operations.

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The tax provision for the three months ended June 30, 2009 and 2008 was \$422,000 and \$367,000, respectively, due to our income before income tax of \$986,000 and \$935,000, respectively.

### *Six Months Ended June 30, 2009 Compared to Six Months Ended June 30, 2008*

Total revenues for the six months ended June 30, 2009 were \$14.3 million, a decrease of \$998,000 or 6.5% from the same period in 2008.

Commission and fee income for the six months ended June 30, 2009 was \$9.8 million, a decrease of \$2.3 million or 18.9% from the same period in 2008 due to a decrease in institutional trading and in the commission recapture operation. Retail customer volumes decreased; however, the average commission charged per trade increased due to more retail customers executing trades via the phone, which has a higher commission charge per ticket. Additionally, there was a decrease in fees from margin debits due to lower margin debit balances and lower rates.

Investment banking revenues for the six months ended June 30, 2009 were \$3.4 million, an increase of \$989,000 or 40.5% from the same period in 2008 due to our participation in more new issues in the equity and debt capital markets.

Trading profits were \$1.0 million for the six months ended June 30, 2009, an increase of \$787,000 or 312.3% from the same period in 2008 due to an overall increase in trading volume primarily in the debt markets.

Interest and dividends for the six months ended June 30, 2009 were \$51,000, a decrease of \$492,000 or 90.6% from the same period in 2008 primarily due to lower yields on investments in U.S. Treasury Bills and money market funds and lower cash balances.

Total expenses for the six months ended June 30, 2009 were \$16.1 million, an increase of \$10,000 from the same period in 2008.

Employee compensation and benefit costs for the six months ended June 30, 2009 were \$5.9 million, a decrease of \$7,000 from the same period in 2008. This decrease was due to a reduction in headcount offset by an increase in commissions paid based on production, staff bonus accruals and the hiring of additional institutional equity sales traders.

Clearing and floor brokerage costs for the six months ended June 30, 2009 were \$3.0 million, a decrease of \$45,000 or 1.5% from the same period in 2008, due to a decrease in volume of trade executions for retail customers and volume relating to the commission recapture operation offset by an increase in execution charges for institutional debt customers.

Professional fees for the six months ended June 30, 2009, were \$3.5 million, an increase of \$260,000 or 8.1% from the same period in 2008 primarily due to an increase in legal fees relating to former employee matters offset by a decrease in consulting fees relating to the commission recapture business.

Advertising and promotion expenses for the six months ended June 30, 2009 were \$487,000, a decrease of \$117,000 or 19.4% from the same period in 2008 primarily due to decreases in marketing and promotional expenses relating to the new front end computer system and print advertising, brochures and direct mailings to our retail customers.

Communications expense for the six months ended June 30, 2009, was \$1.3 million, a decrease of \$8,000 from the same period in 2008 due primarily due to a decrease in quotation costs associated with our retail customer base offset by an increase in local telephone usage.

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Occupancy costs for the six months ended June 30, 2009 were \$652,000, an increase of \$9,000 or 1.4% from the same period in 2008 due to an increase in utilities and commercial rent tax at the corporate headquarters in New York offset by decrease in rents for our West Palm Beach branch.

Other general and administrative expenses for the six months ended June 30, 2009 were \$1.3 million, a decrease of \$82,000 or 5.9% from the same period in 2008. This decrease was a result of decreases in travel and entertainment, subscriptions, printing, office equipment and exchange and registration fees offset by increases in depreciation and amortization.

Income from the Siebert's equity investment in Siebert Brandford Shank & Co., LLC, an entity in which Siebert holds a 49% equity interest ( SBS ) for the six months ended June 30, 2009, was \$2.5 million, an increase of \$873,000 or 54.7% from the same period in 2008. This increase was due to an increase in SBS participating in more municipal bond offerings as senior managers. SBS serves as an underwriter for municipal bond offerings. Loss from our equity investment in SBS Financial Products Company, LLC an entity in which we hold a 33% equity interest ( SBSFPC ) for the six months ended June 30, 2009, was \$182,000 as compared to a loss of \$18,000 from the same period in 2008. This loss was due to the mark to market loss in positions. We consider income and loss from equity investees to be integral to our operations and material to the results of operations.

The tax provisions for the six months ended June 30, 2009 and 2008 were \$222,000 and \$313,000, respectively, based on our income before income tax of \$454,000 and \$753,000, respectively.

### Liquidity and Capital Resources

Our assets are highly liquid, consisting generally of cash, money market funds and commercial paper. Our total assets at June 30, 2009 were \$46 million. As of that date, we regarded \$31.1 million, or 67%, 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, 2009, Siebert's regulatory net capital was \$24.4 million, \$24.1 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, 2009, 8,017 shares have been purchased at an average price of \$1.67 per share.

Siebert has entered into a Secured Demand Note Collateral Agreement with SBS under which it is obligated to lend to SBS up to \$1.2 million pursuant to a secured promissory note on a subordinated basis. Amounts pledged 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, 2010, 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

We generally invest working capital temporarily in dollar denominated money market funds and United States Treasury Bills. These investments are not subject to material changes in value due to interest rate movements.

In the normal course of its business, Siebert enters into transactions in various financial instruments with off-balance sheet risk. This risk includes both market and credit risk, which may be in excess of the amounts recognized in our financial statements. 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.

**Item 4T. Controls and Procedures**

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and 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 of Securities Exchange of 1934, as amended. Based on that evaluation, our management, including the Chief Executive Officer and 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 management, including our Chief Executive Officer and Chief Financial Officer to allow timely decisions regarding timely disclosure.

There were no changes in our internal controls 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.

**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, 2008, 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, 2008.

**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. We purchased 3,635 shares at an average price of \$1.65 in the second quarter of 2009.

A summary of our repurchase activity for the three months ended June 30, 2009 is as follows:

## Issuer Purchases of Issuer Securities

| <b>Period</b> | <b>Total Number<br/>Of Shares<br/>Purchased</b> | <b>Average Price<br/>Paid Per Share</b> | <b>Total Number of<br/>Shares Purchased<br/>as Part of Publicly<br/>Announced Plans</b> | <b>Maximum<br/>Number of Shares<br/>That May Yet Be<br/>Purchased Under<br/>The Plans</b> |
|---------------|---|---|---|---|
| April 2009    | 1,115   | \$ 1.57                                 | 17,347  | 283,153   |
| May 2009      | 1,296   | \$ 1.56                                 | 18,643  | 281,359   |
| June 2009     | 1,224   | \$ 1.83                                 | 19,867  | 280,133   |
| Total         | 3,635   | \$ 1.65                                 | 19,867  | 280,133   |

All of the purchases were made in the open market transactions.

**Item 3. Defaults Upon Senior Securities**

None

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### Item 4. Submission of Matters to a Vote of Security Holders

We held our annual meeting on June 4, 2009. At that meeting, the following matters were voted on and received the votes indicated:

|                                  | <b>For</b> | <b>Withheld</b> |
|----------------------------------|------------|-----------------|
| <b>(1) Election of Directors</b> |            |                 |
| Muriel F. Siebert                | 21,695,559 | 378,676         |
| Patricia L. Francy               | 21,901,861 | 172,374         |
| Jane H. Macon                    | 21,644,941 | 429,294         |
| Leonard M. Leiman                | 21,701,711 | 372,524         |
| Nancy S. Peterson                | 21,978,828 | 95,407          |
| Robert P. Mazzarella             | 21,978,898 | 95,337          |

### Item 5. Other Information

None

### Item 6. Exhibits

(a)

- 31.1 Certification of Muriel F. Siebert pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Joseph M. Ramos, Jr. pursuant to Exchange Act Rule 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Muriel F. Siebert of Periodic Financial Report under Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 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/ Muriel F. Siebert

Muriel F. Siebert  
Chairwoman and President  
(principal executive officer)

Dated: August 14, 2009

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

Joseph M. Ramos, Jr.  
Executive Vice President and Chief Financial Officer  
(principal financial and accounting officer)

Dated: August 14, 2009

16

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