

SIEBERT FINANCIAL CORP  
Form 10-Q  
August 14, 2017

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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, 2017**

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)

**New York** **11-1796714**  
(State or Other Jurisdiction of Incorporation or Organization) (I.R.S. Employer Identification No.)

**120 Wall Street, New York, NY 10005**  
(Address of Principal Executive Offices) (Zip Code)

**(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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Accelerated filer

Smaller Reporting Company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

Yes  No

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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 11, 2017, there were 22,085,126 shares of Common Stock, par value \$.01 per share outstanding.

Unless expressly indicated or the context requires otherwise, the terms “SFC,” “Company,” “we,” “us,” and “our” in this document refer to Siebert Financial Corp., a New York corporation, and, where appropriate, its wholly owned subsidiaries, the term “MSC” shall refer to Muriel Siebert & Co., Inc., a Delaware corporation and a registered broker-dealer, and the term “SIA” shall refer to Siebert Investment Advisors, Inc., a New York corporation registered with the Securities and Exchange Commission as an investment advisor. MSC and SIA are wholly-owned subsidiaries of the Company.

### **Special Note Regarding Forward-Looking Statements**

Certain statements contained in “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; changes in demand for brokerage services; competition within and without the brokerage business, including the offer of broader services; competition from electronic discount brokerage firms offering greater discounts on commissions than we offer; the prevalence of a flat fee environment; our customer’s methods of placing trades; computer and telephone system failures; our level of spending on advertising and promotion; 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**

	June 30, 2017 (unaudited)	December 31, 2016
<b>ASSETS</b>		
Cash and cash equivalents	\$2,264,000	\$ 2,730,000
Receivable from brokers	896,000	606,000
Securities owned, at fair value	—	92,000
Furniture, equipment and leasehold improvements, net	243,000	46,000
Prepaid expenses	281,000	342,000
Other assets	125,000	—
	<b>\$3,809,000</b>	<b>\$ 3,816,000</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$329,000	\$ 738,000
Accrued settlement liability	—	825,000
	329,000	1,563,000
<b>Commitments and Contingencies</b>		
<b>Stockholders' equity:</b>		
Common stock, \$.01 par value; 49,000,000 shares authorized, 22,085,126 shares issued and outstanding as of June 30, 2017 and 22,085,126 shares issued and outstanding as of December 31, 2016	221,000	221,000
Additional paid-in capital	7,692,000	6,889,000
(Accumulated deficit)	(4,433,000)	(4,857,000 )
	3,480,000	2,253,000
	<b>\$3,809,000</b>	<b>\$ 3,816,000</b>

See notes to condensed consolidated financial statements.



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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
<b>Revenues:</b>				
Commissions and fees	\$1,037,000	\$1,231,000	\$2,219,000	\$2,441,000
Margin interest, marketing and distribution fees	1,545,000	957,000	2,626,000	1,825,000
Investment banking	6,000	11,000	12,000	23,000
Trading profits	98,000	125,000	206,000	390,000
Interest and dividends	3,000	138,000	5,000	281,000
	2,689,000	2,462,000	5,068,000	4,960,000
<b>Expenses:</b>				
Employee compensation and benefits	1,000,000	1,200,000	2,038,000	2,487,000
Clearing fees, including floor brokerage	304,000	236,000	568,000	474,000
Professional fees	468,000	915,000	893,000	1,585,000
Advertising and promotion	25,000	67,000	45,000	133,000
Communications	55,000	132,000	135,000	262,000
Occupancy	79,000	197,000	221,000	379,000
Other general and administrative	393,000	443,000	744,000	869,000
	2,324,000	3,190,000	4,644,000	6,189,000
Net income (loss)	\$365,000	\$(728,000)	\$424,000	\$(1,229,000)
Net income (loss) per share of common stock –				
Continuing operations	\$.02	\$(.03)	\$.02	\$(.06)
Basic and diluted	\$.02	\$(.03)	\$.02	\$(.06)
Weighted average shares outstanding -				
Basic	22,085,126	22,085,126	22,085,126	22,085,126
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,	
	2017	2016
Cash Flows From Operating Activities:		
Net income (loss)	\$424,000	\$(1,229,000)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	71,000	136,000
Interest accrued on note receivable from business sold to former affiliate	—	(274,000 )
Changes in:		
Securities Sold	92,000	—
Securities Purchased	—	(67,000 )
Advance to former affiliate	—	(10,000 )
Receivable from brokers	(290,000 )	82,000
Prepaid expenses and other assets	61,000	114,000
Other assets	(125,000 )	—
Accounts payable and accrued liabilities	(431,000 )	(784,000 )
Net cash used in operating activities	(198,000 )	(2,032,000)
Purchase of furniture, equipment and leasehold improvements	(268,000 )	(30,000 )
Collection of receivable from former affiliate	—	493,000
Net cash (used in) provided by investing activities	(268,000 )	463,000
Net decrease in cash and cash equivalents	(466,000 )	(1,569,000)
Cash and cash equivalents - beginning of period	2,730,000	9,420,000
Cash and cash equivalents - end of period	\$2,264,000	\$7,851,000
Supplemental Schedule Of Non-Cash Financing Activities:		
Payment by parent of expenses	\$803,000	—

See notes to condensed consolidated financial statements.



**Siebert Financial Corp. & Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**Six Months Ended June 30, 2017 and 2016**  
**(Unaudited)**

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

Siebert Financial Corp. (“SFC”), a New York corporation, incorporated in 1934, is a holding company that conducts its retail discount brokerage business through its wholly-owned subsidiary, Muriel Siebert & Co., Inc., (“MSC”) a Delaware corporation and a registered broker-dealer, and its investment advisory business through its wholly-owned subsidiary Siebert Investment Advisors, Inc. (“SIA”) a New York corporation which is registered with the Securities and Exchange Commission as a Registered Investment Advisor (“RIA”). For purposes of this Quarterly Report on Form 10-Q, the terms “Siebert,” “Company,” “we,” “us” and “our” refer to Siebert Financial Corp., MSC and SIA collectively, unless the context otherwise requires.

Our principal offices are located at 120 Wall Street, New York, New York 10005, and our phone number is (212) 644-2400. Our Internet address is [www.siebertnet.com](http://www.siebertnet.com). Our SEC filings are available through our website at [www.siebertnet.com](http://www.siebertnet.com), where you are able to obtain copies of the Company’s public filings free of charge. Our common stock, par value \$.01 per share (the “Common Stock”) trades on the NASDAQ Capital Market under the symbol “SIEB.”

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, 2016 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 our Annual Report on Form 10-K for the year ended December 31, 2016. Because of the nature of our business, the results of operations for the six months ended June 30, 2017 are not necessarily indicative of operating results for the full year.

Certain reclassifications have been made to the 2016 balances to conform to the presentation used in 2017. These reclassifications had no effect on operating results previously reported.

**2. Securities:**

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

### **3. 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 Company estimates that fair value approximates carrying value for cash and cash equivalents, receivable from broker, and accounts payable and accrued liabilities due to the relatively short maturity of the instruments.

### **4. 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 had income of \$424,000 for the six months ended June 30, 2017 and incurred a net loss of (\$1,229,000) for the six months ended June 30, 2016 respectively. Basic and diluted net loss per common share are the same during 2016 as the effect of stock options is anti-dilutive. There were no options outstanding in 2017 that would result in any dilutive effect. Shares underlying stock options not included in the diluted computation amounted to 0 in 2017 and 265,000 in 2016.

### **5. Net Capital:**

MSC 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 MSC 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 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, 2017, Siebert had net capital of approximately \$2,900,000 as compared with net capital requirements of \$250,000. Siebert claims exemption from the reserve requirement under section 15c3-3(k)(2)(ii).

## **6. Other Assets:**

The Company incurred \$125,000 in professional fees in connection with a potential transaction with an affiliate. These costs will be deferred until which point that the transaction is consummated.

## **7. Revenue:**

Commission revenues, margin interest, marketing and distribution fees 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 advisory fees charged clients thru SIA. Revenues are earned typically on a monthly or quarterly basis in accordance with terms of the contract.

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:**

SFC's control entity, Kennedy Cabot Acquisition, LLC made a net payment of \$803,000 to satisfy certain obligations of the Company. This amount is treated as a capital contribution.

## **9. Contingencies and Commitments:**

Retail customer transactions are cleared through a clearing broker on a fully disclosed basis. If customers do not fulfill their contractual obligations, the clearing broker may charge MSC for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy the customer obligations. MSC regularly monitors the activity in its customer accounts for compliance with its margin requirements. MSC is exposed to the risk of loss on unsettled customer transactions if customers fail to fulfill their contractual obligations. There were no material losses for unsettled customer transactions for the three months and six months ended June 30, 2017 and 2016.

In December 2015, a former employee of MSC commenced an arbitration before FINRA against MSC, alleging a single cause of action for employment retaliation under the Sarbanes-Oxley Act of 2002. In February 2016, the employee amended his claim to replace the Sarbanes-Oxley claim with a substantially identical claim arising under the Dodd-Frank Act of 2010. The matter was settled for \$825,000 in February 2017 which was paid by the Company's control entity Kennedy Cabot Acquisitions LLC.

#### **10. Income Taxes:**

As of December 31, 2016 and June 30, 2017, the Company had approximately \$24,223,000 and \$23,799,000 of remaining net operating loss carryforwards which management had fully reserved against based on a history of unprofitable operations. Based on a change in control during December 2016, management concluded that they would be limited to utilizing net operating loss carryforwards of \$895,000 per year until the balance is utilized. During the three and six months ended June 30, 2017, the Company utilized net operating losses of \$365,000 and \$424,000 to offset its net income earned during this period. The utilization of these credits resulted in a reduction of current tax expense and an offsetting increase in the deferred tax benefit of \$146,000 and \$169,000 for the three and six months ended, respectively. No tax benefit has been recognized related to the net loss in the three and six months ended June 30, 2016 as the Company has recorded a full valuation allowance against these credits.

**11. Non Recurring Changes:**

Included in the second-quarter net income is approximately \$110,000 of non-recurring expenses. Included in the six months net income is approximately \$342,000 of non-recurring expenses. These expenses were primarily due to relocating the firm's call center and costs affiliated with staff reductions.

**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, 2016, and our unaudited condensed consolidated financial statements and the notes thereto contained elsewhere in this Quarterly Report.

**Business Environment**

Our cash is invested primarily in bank accounts with large financial institutions. Our cash and working capital is sufficient to service the firm's operations.

The following table sets forth certain metrics as of and for the six months ended June 30, 2017 and 2016, respectively, which we use in evaluating our business.

	<b>For the Three Months ended June 30,</b>		For the Six Months ended June 30,	
	2017*	2016	2017*	2016
Retail Customer Activity:				
Total retail trades:	50,769	49,316	110,139	102,013
Average commission per retail trade:	\$19.56	\$25.57	\$19.80	\$23.56

	As of June 30,	
	2017	2016
Retail customer balances:		
Retail customer net worth (in billions):	\$7.3	\$6.8
Retail customer money market fund value (in billions):	\$.7	\$.9
Retail free credit balances (in billions)	.3	—
Retail customer margin debit balances (in millions):	\$224.0	\$254.2
Retail customer accounts with positions:	28,953	29,968

\* Based on new management analysis

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 debit 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. We, like other securities firms, 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 financial market activity, profitability is likely to be adversely affected because certain expenses remain relatively fixed, including salaries and related costs, portions of communications costs and occupancy expenses. Accordingly, earnings or loss for any period should not be considered representative of any other period.



## **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 amount 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. Our management believes that its estimates are reasonable.

## **Results of Operations**

### **Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016**

There were no material changes in the Company's customer base and the firm streamlined operations in the first six months of 2017.

We had a net income of \$365,000 and a net loss of \$728,000 for the three months ended June 30, 2017 and 2016, respectively. Included in the second quarter net income is approximately \$110,000 of non-recurring expenses primarily due to relocating the firm's call center and costs associated with staff reductions.

Total revenues for the three months ended June 30, 2017 were \$2.7 million, a \$227,000 increase or 9.2% from the same corresponding period in 2016 primarily due to increase in interest income.

Commission and fee income for the three months ended June 30, 2017 was \$1.0 million, a decrease of \$194,000 or 15.8% from the same corresponding period in 2016 primarily due to a reduction in commissions per trade.

Margin interest, marketing and distribution fees for the three months ended June 30, 2017, was \$1,545,000, an increase of \$588,000 or 61.4% primarily due to rising interest rates and match funding margin debits and free credit balances.

Investment banking revenues for the three months ended June 30, 2017 was \$6,000, a \$5,000 decrease from the same corresponding period in 2016.

Trading profits were \$98,000 for the three months ended June 30, 2017, a decrease of \$27,000 or 21.6% from the same corresponding period in 2016 due to an overall decrease in customer trading volume in the debt markets.

Income from interest and dividends for the three months ended June 30, 2017 were \$3,000, a decrease of \$135,000 or 97.8% from the same corresponding period due to the distribution of the subordinated notes and capital market notes in 2016 to the former majority shareholder.

Total expenses for the three months ended June 30, 2017 were \$2.3 million, a decrease of \$866,000 or 27.1% from the same corresponding period in 2016 due to streamlining the firm's operations.

Employee compensation and benefit costs for the three months ended June 30, 2017 was \$1.0 million, a decrease of \$200,000 or 16.7% from the same corresponding period in 2016 due to a lower head count and lower benefit expenses.

Clearing and floor brokerage costs for the three months ended June 30, 2017 were \$304,000, an increase of \$68,000 or 28.8% from the same corresponding period in 2016 primarily due to increased retail customer trading volumes.

Professional fees were \$468,000 for the three months ended June 30, 2017, a decrease of \$447,000, or 48.9% from the same corresponding period in 2016 primarily due to a decrease in legal fees and consulting fees.

Advertising and promotion expenses for the three months ended June 30, 2017 were \$25,000, a decrease of \$42,000 or 62.7% from the same corresponding period in 2016 due to a reduction in overall advertising.

Communications expense for the three months ended June 30, 2017 was \$55,000, a decrease of \$77,000 or 58.3% from the same corresponding period in 2016 primarily due to savings in streamlining operations and moving to Jersey City from New York.

Occupancy costs for the three months ended June 30, 2017 were \$79,000, a decrease of \$118,000 or 59.9% from the same corresponding period in 2016 due to moving the firm's call center.

Other general and administrative expenses were \$393,000, a decrease of \$50,000 or 11.3% from the same corresponding period in 2016 due to streamlining the firm's operations.

No tax benefit related to the pre-tax gain loss was recorded for the three months ended June 30, 2017 and June 30, 2016 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, 2017 Compared to Six Months Ended June 30, 2016***

We had net income of \$424,000 and a net loss of \$1,229,000 for the six months ended June 30, 2017 and 2016, respectively.

Total revenues for the six months ended June 30, 2017 were \$5.1 million, an increase of \$108,000 or 2.2% from the same period in 2016.

Commission and fee income for the six months ended June 30, 2017 was \$2.2 million, a decrease of \$222,000 or 9.1% from the same period in 2016 primarily due to our average commission per trade being down 16% from last year.

Margin interest, marketing, and distribution fees for the six months ended June 30, 2017, was \$2.6 million, an increase of \$801,000 or 43.8% primarily due to rising interest rates and match funding of margin debits and free credit balances.

Investment banking revenues for the six months ended June 30, 2017 were \$12,000, a decrease of \$11,000 or 47.8% from the same period in 2016 due to a decline in customer activity.

Trading profits were \$206,000 for the six months ended June 30, 2017, a decrease of \$184,000 or 47.1% from the same period in 2016 due to a decline in customer trading volume in the debt markets.

Interest and dividends were \$5,000 for the six months ended June 30, 2017, a decrease of \$276,000 or 98.2% from the same corresponding period in 2016 primarily due to the distribution of the subordinated notes and capital market notes in 2016 to the former majority shareholder.

Total expenses for the six months ended June 30, 2017 were \$4.6 million, a decrease of \$1,545,000 or 24.9% from the same period in 2016.

Employee compensation and benefit costs for the six months ended June 30, 2017 were \$2.0 million, a decrease of \$449,000 or 18.0% from the same period in 2016 due to a lower head count and lower benefit expenses.

Clearing and floor brokerage costs for the six months ended June 30, 2017 were \$568,000, an increase of \$94,000 or 19.8% from the same period in 2016 primarily due to higher retail customer trading volumes and increased usage of a variety of clearing services.

Professional fees for the six months ended June 30, 2017 were \$893,000, a decrease of \$692,000 or 43.7% from the same period in 2016 primarily due to a decrease in legal and consulting fees.

Advertising and promotion expenses for the six months ended June 30, 2017 were \$45,000, a decrease of \$88,000 or 66.1% from the same period in 2016 primarily due to a decline in overall advertising.

Communications expense for the six months ended June 30, 2017 were \$135,000, a decrease of \$127,000 or 48.4% from the same period in 2016 primarily due to savings in streamlining operations and moving to Jersey City from New York.

Occupancy costs for the six months ended June 30, 2017 were \$221,000, a decrease of \$158,000 or 41.6% from the same period in 2016 due to moving the firm's call center.

Other general and administrative expenses for the six months ended June 30, 2017 were \$744,000, a decrease of \$125,000 or 14.4% from the same period in 2016 due to streamlining the firm's operations.

No tax benefit related to the pre-tax loss was recorded for the six months ended June 30, 2017 and June 30, 2016 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 working capital is invested in cash and money market funds. Our total assets at June 30, 2017 were \$3.8 million, of which we regarded \$2.3 million, or 59.4%, as highly liquid.

MSC is subject to the net capital requirements of the SEC, the NYSE and other regulatory authorities. At June 30, 2017, MSC's regulatory net capital was \$2.9 million, which was \$2.6 million in excess of its minimum capital requirement of \$250,000.

### **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 MSC for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy the customers' obligations. MSC regularly monitors the activity in its customer accounts for compliance with its margin requirements. MSC is exposed to the risk of loss on unsettled customer transactions if customers and other counterparties are unable to fulfill their contractual obligations. There were no material losses for unsettled customer transactions as of June 30, 2017.

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

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

There were no changes in our internal control over financial reporting during the most recently completed 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**

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

### **Item 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the risk factors discussed in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2016, 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, 2016.

**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/ Andrew H. Reich*

Andrew H. Reich

Executive Vice President, Chief Operating Officer,

Chief Financial Officer and Secretary

(Principal executive, financial and accounting officer)

Dated: August 14, 2017



**Item 5. Exhibits**

<b>Exhibit No.</b>	<b>Description Of Document</b>
31.1	Certification of Andrew H. Reich 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 Andrew H. Reich of Periodic Financial Report under Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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