

SIEBERT FINANCIAL CORP  
Form 10-Q  
May 15, 2013

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**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 **March 31, 2013**

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**

(State or Other Jurisdiction of Incorporation or Organization)

**11-1796714**

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

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

(Address of Principal Executive Offices) (Zip Code)

**(212) 644-2400**

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(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 the definition of "large accelerated filer," "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

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: As of May 2, 2013, there were 22,085,860 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 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 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  
Consolidated Statements of Financial Condition

	March 31, 2013 (unaudited)	December 31, 2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,634,000	\$ 18,902,000
Cash equivalents restricted	1,532,000	1,532,000
Receivable from brokers	1,080,000	1,923,000
Securities owned, at fair value	330,000	255,000
Furniture, equipment and leasehold improvements, net	324,000	312,000
Investment in and advances to affiliates	8,606,000	9,304,000
Prepaid expenses and other assets	948,000	900,000
Intangibles, net	325,000	328,000
	\$ 31,779,000	\$ 33,456,000
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,124,000	\$ 2,416,000
Contingencies (Note 9)		
Stockholders equity:		
Common stock, \$.01 par value; 49,000,000 shares authorized, 23,211,846 shares issued, and 22,087,486 and 22,097,392 shares outstanding at March 31, 2013 and December 31, 2012, respectively	232,000	232,000
Additional paid-in capital	19,490,000	19,490,000
Retained earnings	14,690,000	16,059,000
Less: 1,124,360 and 1,114,454 shares of treasury stock, at cost at March 31, 2013 and December 31, 2012, respectively	(4,757,000)	(4,741,000)
	29,655,000	31,040,000
	\$ 31,779,000	\$ 33,456,000

See notes to condensed consolidated financial statements.

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

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Commissions and fees	\$ 2,985,000	\$ 5,158,000
Investment banking	730,000	509,000
Trading profits	535,000	863,000
Interest and dividends	16,000	23,000
	4,266,000	6,553,000
<b>Expenses:</b>		
Employee compensation and benefits	2,259,000	2,489,000
Clearing fees, including floor brokerage	584,000	967,000
Professional fees	844,000	790,000
Advertising and promotion	99,000	138,000
Communications	347,000	488,000
Occupancy	257,000	251,000
Other general and administrative	551,000	651,000
	4,941,000	5,774,000
Loss from equity investees	(694,000)	(154,000)
<b>Net (loss) income</b>	<b>\$ (1,369,000)</b>	<b>\$ 625,000</b>
<b>Net (loss) income per share of common stock - Basic and Diluted</b>	<b>\$ (.06)</b>	<b>\$ .03</b>
<b>Weighted average shares outstanding - Basic and Diluted</b>	<b>22,093,322</b>	<b>22,103,495</b>

See notes to condensed consolidated financial statements.

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (1,369,000)	\$ 625,000
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	31,000	109,000
Loss from equity investees	694,000	154,000
Distribution from equity investees	73,000	2,000
Changes in:		
Securities owned, at fair value	(75,000)	(14,000)
Receivable from brokers	843,000	(586,000)
Prepaid expenses and other assets	(48,000)	(103,000)
Accounts payable and accrued liabilities	(292,000)	(603,000)
Net cash used in operating activities	(143,000)	(416,000)
<b>Cash flows from investing activities:</b>		
Purchase of furniture, equipment and leasehold improvements	(40,000)	(154,000)
Advances to equity investees	(69,000)	(46,000)
Net cash used in investing activities	(109,000)	(200,000)
<b>Cash flows from financing activities:</b>		
Purchase of treasury shares	(16,000)	(6,000)
Net cash used in financing activities	(16,000)	(6,000)
Net decrease in cash and cash equivalents	(268,000)	(622,000)
Cash and cash equivalents - beginning of period	18,902,000	21,167,000
Cash and cash equivalents - end of period	\$ 18,634,000	\$ 20,545,000
<b>Supplemental cash flow disclosures:</b>		
Cash paid for:		
Income taxes	\$ 26,000	\$ 12,000

See notes to condensed consolidated financial statements

**Siebert Financial Corp. & Subsidiaries**  
**Notes to Condensed Consolidated Financial Statements**  
**Three Months Ended March 31, 2013 and 2012**  
**(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 and included in investment in and advances to affiliates in the consolidated statements of financial condition.

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, 2012 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, 2012. Because of the nature of the Company's business, the results of operations for the three months ended March 31, 2013 are not necessarily indicative of operating results for the full year.

**2. 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.

**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.

Financial instruments valued of the Company are at fair value (Level 1) at March 31, 2013 as follows:

Financial Instruments	Level 1	Total
Cash equivalents	\$ 19,525,000	\$ 19,525,000
Securities	330,000	330,000
	\$ 19,855,000	\$ 19,855,000

Securities include common stock of \$330,000 valued on the last business day of the period at the last available reported sales price on the primary securities exchange. As of March 31, 2013, the Company did not hold any level 2 or level 3 financial statements.

**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. There were no dilutive options for the three months ended March 31, 2012. Accordingly, basic and diluted income per share are the same for the period. Basic and diluted net loss per common share for the three months ended March 31, 2013 are the same as the effect of stock options is anti-dilutive. Shares underlying stock options not included in the diluted computation amounted to 400,000 and 1,228,200 in 2013 and 2012.

**5. 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 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 March 31, 2013, Siebert had net capital of approximately \$16,751,000 as compared with net capital requirements of \$250,000. Siebert claims exemption from the reserve requirement under section 15c3-3(k)(2)(ii).

**6. 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 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.

**7. Capital Transactions:**

On January 23, 2008, the Board of Directors of the Company authorized a buy back of up to 300,000 shares of common stock. Under this program, shares are purchased from time to time, at management's discretion, in the open market and in private transactions. The Company purchased 9,906 shares at a cost of \$16,000 (average price per share of \$1.56) in the first quarter of 2013.

There are no stock option transactions during the three months ended March 31, 2013. At March 31, 2013, there are 400,000 outstanding options at a weighted average exercise price of \$3.33, which were fully vested and exercisable. As of March 31, 2013, there were no unrecognized compensation costs.

**8. Investment in and advances to affiliates:**

**Siebert, Brandford, Shank & Co., L.L.C. ( SBS )**

Siebert holds a 49% ownership interest in SBS which is engaged in municipal bond underwritings. 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 SBS is set forth below.

	March 31, 2013	March 31, 2012
Total assets, including secured demand note of \$1,200,000 due from Siebert	\$ 23,931,000	
Total liabilities, including subordinated liabilities of \$1,200,000 due to Siebert	7,111,000	
Total members' capital	16,820,000	
Regulatory minimum net capital requirement	250,000	
Total revenues	3,995,000	\$ 5,626,000
Net loss	(1,229,000)	(299,000)

Siebert charged SBS \$25,000 and \$19,000 during the three months ended March 31, 2013 and 2012, respectively, for general and administrative services, which Siebert believes approximates the cost of furnishing such services.

Siebert's share of net loss for the three months ended March 31, 2013 and 2012 amounted to \$602,000 and \$146,000, respectively.

Siebert received distributions of \$73,000 from SBS during the three months ended March 31, 2013 and Siebert's share of undistributed earnings from SBS amounted to \$7.8 million at March 31, 2013. 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 net capital requirements.

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

The Company has a 33.33% ownership interest in, and the two individual principals of SBS have an aggregate 66.66% ownership interest in, 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.

	March 31, 2013	March 31, 2012
Total assets	\$ 150,890,000	
Total liabilities	150,099,000	
Total members' capital	791,000	
Total revenues	(222,000)*	\$ 21,000
Net loss	(275,000)	(25,000)

\*Negative balance was attributable to unrealized loss on derivative contracts.

The Company's share of net loss for the three months ended March 31, 2013 and 2012 amounted to \$92,000 and \$8,000, respectively.

At March 31, 2013, SBSFPC had accumulated distributions in excess of cumulative earnings in the amount of \$409,000 of which the Company's share was \$136,000. The Company received no distribution from SBSFPC during the three months ended March 31, 2013.

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

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 three months ended March 31, 2013 and 2012.

In a prior year, Siebert was named as one of the defendants in a class action pending in the United States District Court, Southern District of New York. The complaint was brought on behalf of a class of purchasers in a public offering by Lehman Brothers Holdings, Inc. of \$1,500,000,000 of 6.75% Subordinated Notes due 2017 (the "Notes") as to Siebert and certain smaller issuances of other securities. Siebert had agreed to purchase \$15 million of the Notes and \$462,953 of the other securities as an underwriter in the offerings. Siebert and the plaintiffs' class resolved all claims against Siebert in consideration of a \$1 million payment by Siebert which was paid in a prior year. As certain plaintiffs did not agree to a settlement or purchased securities were not covered by the settlement, additional liability to Siebert is possible. At present, Siebert is unable to determine the potential liability, if any.

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 27, 2012, 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, 2014.

**10. Income taxes:**

There is no provision for income taxes on income in the 2012 period as the Company had available net operating loss carryforward (which had been fully reserved) to offset such income. No tax benefit has been recognized for the loss in the 2013 period as the Company has fully offset the related deferred tax asset by a valuation allowance due to cumulative losses incurred by the Company and its subsidiaries during the prior three years.

**11. Reclassifications:**

As previously reported for the quarter ended March 31, 2012, the Company recorded various minimum state taxes based on gross revenues and capital which was presented as income taxes on the consolidated statement of operations. The Company has reclassified such taxes to general and administrative expenses to conform to the 2013 presentation.

**12. Concentrations:**

During the quarter ended March 31, 2012, commission income earned from one customer accounted for approximately 21% of total revenue.

**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, 2012, and our 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 recent financial crisis did have the effect of reducing participation in the securities market by our retail and institutional customers, which had an adverse effect on our revenues. Our affiliate, Siebert, Brandford, Shank & Co., L.L.C. had a loss for the current period of approximately \$1,229,000. This resulted in a loss to the Company of \$602,000 for the current three month period. Our expenses include the costs of an arbitration proceeding commenced by a former employee following the termination of his employment, which remains unresolved. The Company believes that the action is without merit, but the costs of defense, which are included as professional expenses, have adversely affected the Company's results of operations and may continue to affect the results of operations until the action is completed. Competition in the brokerage industry remains intense.

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The following table sets forth certain metrics as of March 31, 2013 and 2012 and for the three months ended March 31, 2013 and 2012, respectively, which we use in evaluating our business.

Retail Customer Activity:	For the Three Months ended March 31,	
	2013	2012
Total retail trades:	84,878	103,123
Average commission per retail trade:	\$ 22.64	\$ 31.75
	As of March 31,	
	2013	2012
Retail customer balances:		
Retail customer net worth (in billions):	\$ 6.9	\$ 6.8
Retail customer money market fund value (in billions):	\$ 1.0	\$ 1.0
Retail customer margin debit balances (in millions):	\$ 186.0	\$ 237.0
Retail customer accounts with positions:	40,904	44,003
<u>Description:</u>		

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.

#### **Recent Developments**

On January 23, 2008, our Board of Directors authorized a buy back of up to 300,000 shares of common stock. Under this program, shares are purchased from time to time, at our discretion, in the open market and in private transactions. The Company purchased 9,906 shares at a cost of \$16,000 (average price per share of \$1.56) in the first quarter of 2013.

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

#### **Results of Operations**

We had a net loss of \$1.4 million and a net income of \$625,000 for the three months ended March 31, 2013 and 2012, respectively.

Total revenues for the three months ended March 31, 2013 were \$4.3 million, a decrease of \$2.3 million or 34.9% from the same corresponding period in 2012.

Commission and fee income for the three months ended March 31, 2013 was \$3.0 million, a decrease of \$2.2 million or 42.1% from the same corresponding period in 2012 primarily due to a decrease in retail customer trading as well as a decrease in fees from margin debits due to lower average margin debit balances. Additionally, there was a decrease in our institutional trading commissions and our commission recapture operations.

Investment banking revenues for the three months ended March 31, 2013 were \$730,000, an increase of \$221,000 or 43.4% from the same corresponding period in 2012 primarily due to our participation in more new issues in the equity and debt markets.

Trading profits were \$535,000 for the three months ended March 31, 2013, a decrease of \$328,000 or 38.0% from the same corresponding period in 2012 due to an overall decrease in riskless principal trading volume in the debt markets and the loss of a debt sales-trader in the fourth quarter of 2012.

Interest and dividends for the three months ended March 31, 2013 were \$16,000, a decrease of \$7,000 or 30.4% from the same corresponding period in 2012 primarily due to lower cash balances.

Total expenses for the three months ended March 31, 2013 were \$4.9 million, a decrease of \$833,000 or 14.4% from the same corresponding period in 2012.

Employee compensation and benefit costs for the three months ended March 31, 2013 were \$2.3 million, a decrease of \$230,000 or 9.2% from the same corresponding period in 2012 due to a decrease in commissions paid based on production in the debt capital markets and retail operations.

Clearing and floor brokerage costs for the three months ended March 31, 2013 were \$584,000, a decrease of \$383,000 or 39.6% from the same corresponding period in 2012 primarily due to lower retail trading volumes as well as execution charges for institutional equity customers.

Professional fees were \$844,000 for the three months ended March 31, 2013, an increase of \$54,000, or 6.8% from the same corresponding period in 2012 primarily due to an increase in legal fees relating to a dispute with a former employee and increases in consulting fees relating to our Information Technology department offset by a decrease in consulting fees relating to our commission recapture business.

Advertising and promotion expenses for the three months ended March 31, 2013 were \$99,000, a decrease of \$39,000 or 28.3% from the same corresponding period in 2012 due to a decrease in online advertising.

Communications expense for the three months ended March 31, 2013 was \$347,000, a decrease of \$141,000 or 28.9% from the same corresponding period in 2012 primarily due to a decrease in Bloomberg devices due to fewer employees in the Institutional Trading department and the elimination of costs associated with the discontinuance of our website developed and maintained by a software vendor as of June 2012.

Occupancy costs for the three months ended March 31, 2013 were \$257,000, an increase of \$6,000 or 2.4% from the same corresponding period in 2012 due to the an increase in our New York office rents.

Other general and administrative expenses were \$551,000, a decrease of \$100,000 or 15.4% from the same corresponding period in 2012 due to a decrease in depreciation, registration and placement fees offset by increases in supplies and travel and entertainment..

Loss from Siebert's equity investment in Siebert, Brandford, Shank & Co., L.L.C., an entity in which Siebert holds a 49% equity interest ( SBS ), for the three months ended March 31, 2013 was \$602,000, compared to a loss of \$146,000 from the same corresponding period in 2012 due to SBS participating in fewer municipal bond offerings as senior- and co-manager. 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 March 31, 2013 was \$92,000 as compared to a loss of \$8,000 from the same corresponding period in 2012. The losses in 2013 and 2012 were due to the marked to market loss in positions. Income and loss from equity investees is considered to be integral to our operations and material to the results of operations.

There is no provision for income taxes for the three months ended March 31, 2012 because the Company utilized its net operating loss carry forward for which no benefit was previously recognized. No tax benefit related to the pre-tax loss was recorded for the three months ended March 31, 2013 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 assets are highly liquid, consisting generally of cash, money market funds and commercial paper. Our total assets at March 31, 2013 were \$32 million. As of that date, \$20 million, or 63.5%, of our total assets were regarded by us as highly liquid.

Siebert is subject to the net capital requirements of the SEC, the NYSE and other regulatory authorities. At March 31, 2013, Siebert's regulatory net capital was \$16.8 million, \$16.5 million in excess of its minimum capital requirement of \$250,000.

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. The Company purchased 9,906 shares at an average price of \$1.56 in the first quarter of 2012.

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 March 31, 2013. 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, 2014 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 counterparties are unable to fulfill their contractual obligations. There were no material losses for unsettled customer transactions as of March 31, 2013.

### **Item 4. 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(e) or Rule 15d-15(e) of the Securities Exchange Act 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 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.

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### Part II - OTHER INFORMATION

#### Item 1. Legal Proceedings

We are involved in various routine lawsuits of a nature we deem 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 our 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 risk factors discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2012, 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, 2012.

#### Item 2. Unregistered Sales 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 9,906 shares at an average price of \$1.56 in the first quarter of 2013.

A summary of our repurchase activity for the three months ended March 31, 2013 is as follows:

#### Issuer Purchases Of Equity Securities

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under The Plans or Programs
January 2013	1,465	\$ 1.67	118,336	181,664
February 2013	4,059	\$ 1.56	122,395	177,605
March 2013	4,382	\$ 1.52	126,777	173,223
Total	9,906	\$ 1.56	126,777	173,223



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Item 6. Exhibits

- 31.1 Certification of Muriel F. Siebert 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.
- 31.2 Certification of Joseph M. Ramos, Jr. pursuant to Exchange Act Rule 13a-14(a) and 15d-14(a), 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.

**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: May 15, 2013

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

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

Dated: May 15, 2013

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