

SIEBERT FINANCIAL CORP
Form 10-Q
November 15, 2010

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

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.)

885 Third Avenue, New York, NY 10022

(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

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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 the registrant was required to submit and post such files.)

Yes No

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Smaller Reporting Company

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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 stock, as of the latest practicable date: As of November 5, 2010, there were 22,141,403 shares of Common Stock, par value \$.01 per share, outstanding.

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

Certain statements contained in the Management's Discussion and Analysis of Financial Condition and Results of Operations below and elsewhere in this 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

	September 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Cash and cash equivalents	\$ 23,491,000	\$ 24,184,000
Cash equivalents restricted	1,532,000	1,532,000
Receivable from clearing broker	1,073,000	1,954,000
Securities owned, at fair value	1,076,000	1,607,000
Furniture, equipment and leasehold improvements, net	1,379,000	1,569,000
Investment in and advances to affiliates	8,649,000	9,040,000
Income tax refund receivable	795,000	1,074,000
Prepaid expenses and other assets	650,000	1,050,000
Intangibles, net	775,000	750,000
Deferred taxes		1,323,000
	\$ 39,420,000	\$ 44,083,000
LIABILITIES AND STOCKHOLDERS EQUITY		
Liabilities:		
Accounts payable and accrued liabilities	4,022,000	4,695,000
Contingencies		
Stockholders equity:		
Common stock, \$.01 par value; 49,000,000 shares authorized, 23,211,846 shares issued and 22,172,175 and 22,185,325 shares outstanding at September 30, 2010 and December 31, 2009, respectively	232,000	232,000
Additional paid-in capital	19,481,000	19,474,000
Retained earnings	20,279,000	24,249,000
Less: 1,039,671 and 1,026,521 shares of treasury stock, at cost at September 30, 2010 and December 31, 2009, respectively	(4,594,000)	(4,567,000)
	35,398,000	39,388,000
	\$ 39,420,000	\$ 44,083,000

See notes to condensed consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues:				
Commissions and fees	\$ 2,875,000	\$ 4,389,000	\$ 13,207,000	\$ 14,140,000
Investment banking	552,000	576,000	\$ 1,312,000	4,009,000
Trading profits	282,000	348,000	839,000	1,387,000
Interest and dividends	33,000	47,000	93,000	98,000
	3,742,000	5,360,000	15,451,000	19,634,000
Expenses:				
Employee compensation and benefits	2,172,000	2,599,000	7,024,000	8,492,000
Clearing fees, including floor brokerage	669,000	1,266,000	2,614,000	4,300,000
Professional fees	1,511,000	1,529,000	5,320,000	4,988,000
Advertising and promotion	111,000	173,000	364,000	660,000
Communications	542,000	671,000	1,811,000	1,953,000
Occupancy	321,000	332,000	970,000	984,000
Other general and administrative	760,000	696,000	2,160,000	1,997,000
	6,086,000	7,266,000	20,263,000	23,374,000
Income from equity investees	628,000	615,000	2,452,000	2,903,000
Loss before income taxes	(1,716,000)	(1,291,000)	(2,360,000)	(837,000)
Provision (benefit) for income taxes	1,842,000	(840,000)	1,610,000	(618,000)
Net loss	\$ (3,558,000)	\$ (451,000)	\$ (3,970,000)	\$ (219,000)
Net loss per share of common stock -				
Basic and Diluted	\$ (.16)	\$ (.02)	\$ (.18)	\$ (.01)
Weighted average shares outstanding -				
Basic and Diluted	22,176,191	22,191,696	22,178,584	22,195,649

See notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2010	2009
Cash flows from operating activities:		
Net loss	\$ (3,970,000)	\$ (219,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	396,000	369,000
Deferred tax provision (benefit)	1,323,000	(23,000)
Income from equity investees	(2,452,000)	(2,903,000)
Distribution from equity investees	2,894,000	1,431,000
Employee stock based compensation	7,000	18,000
Changes in:		
Securities owned, at fair value	531,000	33,000
Receivable from clearing brokers	881,000	313,000
Prepaid expenses and other assets	400,000	223,000
Income tax refund receivable	279,000	(459,000)
Accounts payable and accrued liabilities	(673,000)	(1,131,000)
 Net cash used in operating activities	 (384,000)	 (2,348,000)
Cash flows from investing activities:		
Purchase of customer lists	(25,000)	
Purchase of furniture, equipment and leasehold improvements	(206,000)	(278,000)
Net (payment) collection of advances made to equity investees	(51,000)	103,000
 Net cash used in investing activities	 (282,000)	 (175,000)
Cash flows from financing activities:		
Purchase of treasury shares	(27,000)	(23,000)
 Net cash used in financing activities	 (27,000)	 (23,000)
 Net decrease in cash and cash equivalents	 (693,000)	 (2,546,000)
Cash and cash equivalents - beginning of period	24,184,000	29,617,000
 Cash and cash equivalents - end of period	 \$ 23,491,000	 \$ 27,071,000
Supplemental cash flow disclosures:		
Cash paid for:		
Income taxes	\$ 16,000	\$ 237,000

See notes to condensed consolidated financial statements.

Siebert Financial Corp. & Subsidiaries
Notes to Condensed Consolidated Financial Statements
Nine Months Ended September 30, 2010 and 2009
(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 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). Accordingly, 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. The balance sheet at December 31, 2009 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, 2009. Because of the nature of the Company's business, the results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of operating results for the full year.

2. Securities Transactions:

Securities owned are carried 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.

Authoritative accounting guidance defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. 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. 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 are 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 September 30, 2010, the classification of securities owned was as follows:

Securities owned	Level 1	Level 2	Total
Municipal bonds		\$ 878,000	\$ 878,000
Common stock	\$ 198,000		\$ 198,000
Total	\$ 198,000	\$ 878,000	\$ 1,076,000

Common stock is valued on the last business day of the period at the last available reported sales price on the primary securities exchange.

Municipal bonds are valued based on prices obtained from pricing sources, which derive values from observable inputs.

3. Earnings per Share:

Basic earnings (loss) per share is computed using the weighted average number of common shares outstanding. Diluted earnings per share includes the effect of stock options utilizing the treasury stock method, only when such effect is dilutive.

The weighted average number of shares used in the basic and diluted loss per share computations for the three and nine months ended September 30, 2010 and 2009, together with excluded shares whose effect is anti-dilutive, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Weighted average number of common shares outstanding as used in computation of basic per share data	22,176,191	22,191,696	22,178,584	22,195,649
Effect of dilutive securities — stock options				
Shares used in computation of diluted per share data	22,176,191	22,191,696	22,178,584	22,195,649