

SIEBERT FINANCIAL CORP
Form 10-Q
August 14, 2009

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 (Unaudited)	December 31, 2008
ASSETS		
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
LIABILITIES AND STOCKHOLDERS EQUITY		
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 June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues:				
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
Expenses:				
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)

	Six Months Ended June 30,	
	2009	2008
Cash flows from operating activities:		
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)
Cash flows from investing activities:		
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)
Cash flows from financing activities:		
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
Supplemental cash flow disclosures:		
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
Securities sold short			