Siebert

Muriel Siebert & Co., Inc.

Member NYSE, FINRA, SIPC

STATEMENT OF FINANCIAL CONDITION

As of June 30, 2021
(with supplementary information)

MURIEL SIEBERT & CO., INC.

As of June 30, 2021

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MURIEL SIEBERT & CO., INC.
UNAUDITED STATEMENT OF FINANCIAL CONDITION
As of June 30, 2021

	As of June 30, 2021
ASSETS	
Current assets	
Cash and cash equivalents	$ 2,000,000
Cash and securities segregated for regulatory purposes	348,689,000
Receivables from customers	84,850,000
Receivables from broker-dealers and clearing organizations	8,452,000
Other receivables	2,249,000
Prepaid service contract - current	709,000
Prepaid expenses and other assets	1,003,000
Securities borrowed	638,169,000
Securities owned, at fair value	4,275,000
Total Current assets	1,090,396,000
Deposits with broker-dealers and clearing organizations	6,828,000
Prepaid service contract - non-current	650,000
Furniture, equipment and leasehold improvements, net	746,000
Software, net	563,000
Lease right-of-use assets	2,985,000
Deferred tax assets	3,682,000
Total Assets	$ 1,105,850,000
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities	
Current liabilities	
Payables to customers	$ 391,874,000
Payables to non-customers	12,065,000
Drafts payable	1,274,000
Payables to broker-dealers and clearing organizations	6,834,000
Accounts payable and accrued liabilities	2,742,000
Securities loaned	643,645,000
Securities sold, not yet purchased, at fair value	49,000
Notes payable - related party	3,000,000
Taxes payable	1,125,000
Current portion of lease liabilities	1,208,000
Total Current liabilities	1,063,816,000
Lease liabilities, less current portion	2,082,000
Total Liabilities	1,065,898,000
Commitments and Contingencies	
Stockholders' equity	
Common stock, $1.00 par value; 1,000 shares authorized; 649 shares issued and outstanding	1,000
Additional paid-in capital	21,667,000
Retained earnings	18,284,000
Total Stockholders' equity	39,952,000
Total Liabilities and stockholders' equity	$ 1,105,850,000

Numbers are rounded for presentation purposes. See notes to unaudited financial statement.

MURIEL SIEBERT & CO., INC.
NOTES TO UNAUDITED FINANCIAL STATEMENT

1. Business

Overview

Muriel Siebert & Co., Inc. (“MSCO” or the "Company"), a wholly-owned subsidiary of Siebert Financial Corp. (the "Parent"), is registered as a broker-dealer with FINRA and engages in the business of providing brokerage services for customers and trading securities for its own account.

The Company is headquartered in Delaware with primary operations in New Jersey, Florida, and California. The Company has various offices throughout the United States of America (U.S.) and clients around the world.

As of June 30, 2021, the Company is comprised of a single operating segment based on the factors related to management’s decision-making framework as well as management evaluating performance and allocating resources based on assessments of the Company.

COVID-19

The challenges posed by the COVID-19 pandemic on the global economy increased significantly starting in the first quarter of 2020. COVID-19 spread across the globe during 2020 and impacted economic activity worldwide. In response to COVID-19, national and local governments around the world instituted certain measures, including travel bans, prohibitions on group events and gatherings, shutdowns of certain businesses, curfews, shelter-in-place orders and recommendations to practice social distancing.

The primary financial impact on the Company from the COVID-19 pandemic for the six months ended June 30, 2021 is lower interest revenue resulting from lower benchmark interest rates.

The Company is actively monitoring the impact of COVID-19 on its business, financial condition, liquidity, operations, employees, clients and business partners. Based on management’s assessment as of June 30, 2021, the ultimate impact of COVID-19 on the Company’s business, results of operations, financial condition and cash flows is dependent on future developments, including the duration of the pandemic and the related length of its impact on the global economy, which are uncertain and cannot be predicted at this time.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statement is prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as established by the Financial Accounting Standards Board (“FASB”) to ensure consistent reporting of financial condition. The U.S. dollar is the functional currency of the Company and numbers are rounded for presentation purposes.

Use of Estimates

The preparation of the financial statement in conformity with U.S. GAAP requires management to use its best judgment to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company is not aware of any material differences between the estimates used in closing the Company’s books for the last five years and the actual amounts of revenue and expenses incurred when the Company subsequently receives the actual confirmations, invoices, or other documentation.

Estimates are used in intangible asset valuations and useful lives, depreciation, income taxes, and the contingent liabilities related to legal and healthcare expenses. The Company also estimates the valuation allowance for its deferred tax assets based on the more likely than not criteria. The Company believes that its estimates are reasonable.

Concentrations of Credit Risk

The Company is engaged in various trading and brokerage activities whose contra-parties include broker-dealers, banks and other financial institutions.

In the event contra-parties do not fulfill their obligations, the Company may sustain a loss if the market value of the instrument is different from the contract value of the transaction. The risk of default primarily depends upon the credit worthiness of the contra-parties involved in the transactions. It is the Company's policy to review, as necessary, the credit standing of each contra-party with which it conducts business. The Company has experienced no material historical losses in relation to its contra-parties.

As of June 30, 2021, the Company maintained its cash balances at various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per institution. The Company is subject to credit risk to the extent that the financial institution with which it conducts business is unable to fulfill its contractual obligations and deposits exceed FDIC limits.

Cash and Cash Equivalents

Cash and cash equivalents are all cash balances that are unrestricted. The Company has defined cash equivalents as highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business. As of June 30, 2021, the Company did not hold any cash equivalents. At times, cash balances may exceed FDIC insured limits.

Cash and Securities Segregated for Regulatory Purposes

The Company is subject to Exchange Act Rule 15c3-3, referred to as the "Customer Protection Rule," which requires segregation of funds in a special reserve account for the exclusive benefit of customers. *See "Note 12 – Capital Requirements" for additional detail.*

Receivables From and Payables To Customers

Accounts receivable from and payable to customers include amounts due and owed on cash and margin transactions. Securities owned by customers are held as collateral for receivables. Receivables from customers are reported at their outstanding principal balance, adjusted for any allowance for doubtful accounts. An allowance is established when collectability is not reasonably assured. When the receivable from a brokerage client is considered to be impaired, the amount of impairment is generally measured based on the fair value of the securities acting as collateral, which is measured based on current prices from independent sources such as listed market prices or broker-dealer price quotations. Securities beneficially owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the statement of financial condition. No valuation allowance for doubtful accounts was necessary as of June 30, 2021.

Receivables From, Payables To, and Deposits with Broker-Dealers and Clearing Organizations

Accounts receivable from and payable to broker-dealers and clearing organizations includes amounts due from / to introducing broker-dealers, fail-to-deliver and fail-to-receive items, and amounts receivable for unsettled regular-way transactions.

The Company operates on a month-to-month basis with its clearing broker-dealers and their fees are offset against the Company's revenues on a monthly basis. *See "Note 4 – Receivable from, Payables to, and Deposits with and Payable to Broker-Dealers and Clearing Organizations" for additional detail.*

The Company's customer transactions for the six months ended June 30, 2021 were both self-cleared and cleared on a fully disclosed basis through National Financial Services Corp. ("NFS").

The Company evaluates receivables from clearing broker-dealers for collectability noting no amount was considered uncollectable as of June 30, 2021. No valuation allowance is recognized for these receivables as the Company does not have a history of losses from these receivables and does not anticipate losses in the future.

Securities Borrowed and Securities Loaned

Securities borrowed are recorded at the amount of cash collateral advanced. Securities borrowed transactions require the Company to deposit cash, letters of credit, or other collateral with the lender. Securities loaned are recorded at the amount of cash collateral received. For securities borrowed and loaned, the Company monitors the market value of the securities and obtains or refunds collateral as necessary. *See "Note 6 – Fair Value Measurements" for additional detail.*

Securities Owned and Securities Sold, n Not Yet Purchased at Fair Value

Securities owned, at fair value represent marketable securities owned by the Company at trade-date valuation. Securities sold, not yet purchased, at fair value represent marketable securities sold by the Company prior to purchase at trade-date valuation. *See "Note 6 – Fair Value Measurements" for additional detail.*

Prepaid Service Contract

The Company enters into certain software hosting arrangements where the associated professional development services work is capitalized within the line item "Prepaid service contract" and then amortized over the term of the contract.

Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, generally not exceeding four years. Leasehold improvements are amortized over the shorter of the estimated useful life or remaining lease term unless the lease transfers ownership of the underlying asset to the lessee or the lessee is reasonably certain to exercise an option to purchase the underlying asset, in which case the lessee will amortize over the estimated useful life of the leasehold improvements.

Software, Net

The Company capitalizes certain costs for software such as website and other internal technology development and amortizes them over their useful life, generally not exceeding three years. Depending on the terms of the contract, the Company either records costs from software hosting arrangements as prepaid assets and amortizes them over the contract term, or the costs are expensed as incurred.

Other software costs such as routine maintenance and various data services to provide market information to customers are expensed as incurred.

Payables to Non-Customers

Payables to non-customers includes amounts due on cash and margin transactions on accounts owned and controlled by principal officers, directors and stockholders of the Company. Payables to non-customers amounts include any amounts received from interest on credit balances.

Drafts Payable

Drafts payable represent checks drawn by the Company against customer accounts which remained outstanding and had not cleared the bank as of the end of the period.

Capital Stock

The authorized capital stock of the Company consists of a single class of common stock, wholly-owned by the Parent.

3. New Accounting Standards

Accounting Standards Adopted in Fiscal 2021

ASU 2020-01 - In January 2020, the FASB issued Accounting Standard Update ("ASU") 2020-01, "Investments - Equity Securities (Topic 321), Investments - Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815) - Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." The ASU is based on a consensus of the Emerging Issues Task Force and is expected to increase comparability in accounting for these transactions. ASU 2016-01 made targeted improvements to accounting for financial instruments, including providing an entity the ability to measure certain equity securities without a readily determinable fair value at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Among other topics, the amendments clarify that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting. For public business entities, the amendments in the ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Early adoption is permitted. The Company adopted ASU 2020-01 on January 1, 2021. The adoption of this standard did not have a material impact on the Company's financial statement.

ASU 2019-12 - In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes", as part of its initiative to reduce complexity in the accounting standards. The ASU eliminates certain exceptions from ASC 740 related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. ASU 2019-12 also clarifies and simplifies other aspects of the accounting for income taxes. The guidance is effective for fiscal years beginning after December 15, 2020 and for interim periods within those fiscal years. The Company adopted ASU 2019-12 on January 1, 2021. The adoption of this standard did not have a material impact on the Company's financial statement.

Accounting Standards Not Yet Adopted

ASU 2016-13 - In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial- Instruments". The ASU changes the impairment model and requires financial assets measured at amortized cost basis, including finance receivables (loans), HTM debt securities, trade receivables, and off-balance sheet credit exposures not accounted for as insurance to be presented at the net amount expected to be collected. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. Subsequent ASUs, including 2018-19, 2019-04, 2019-05, 2019-10, 2019-11, and 2020-02 were issued to clarify certain aspects of ASU 2016-13 and to provide transition reliefs. Adoption requires modified retrospective transition through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the entity applies the new guidance. The Company plans to adopt ASU 2016-13 and all subsequent ASU guidance as of January 1, 2023 and is in the process of assessing its impact on the Company's financial statement.

Management has evaluated other recently issued accounting standards and does not believe that any of these standards will have a significant impact on the Company's financial statement and related disclosures as of June 30, 2021.

4. Receivables From, Payables To, and Deposits with Broker-Dealers and Clearing Organizations

Amounts receivable from, payables to, and deposits with broker-dealers and clearing organizations consisted of the following as of the period indicated:

	As of June 30, 2021
Receivables from and deposits with broker-dealers and clearing organizations	
DTCC / OCC / NSCC	$ 13,844,000
NFS	1,059,000
Securities fail-to-deliver	347,000
Globalshares	30,000
Total Receivables from and deposits with broker-dealers and clearing organizations	$ 15,280,000
Payables to broker-dealers and clearing organizations	
Securities fail-to-receive	$ 6,789,000
Payables to broker-dealers	45,000
Total Payables to broker-dealers and clearing organizations	$ 6,834,000

Under the Depository Trust and Clearing Corporation ("DTCC") shareholders' agreement, the Company is required to participate in the DTCC common stock mandatory purchase. As of June 30, 2021, the Company had shares of DTCC common stock valued at approximately $905,000 which is included within the line item "Deposits with broker-dealers and clearing organizations" on the statement of financial condition.

5. Prepaid Service Contract

On April 21, 2020, the Company entered into a Master Services Agreement ("MSA"), with InvestCloud, Inc. ("InvestCloud"). Pursuant to the MSA, InvestCloud agreed to provide the Company with the InvestCloud Platform, a new client and back end interface along with related functionalities for the Company's key operations. The Company agreed to pay InvestCloud as consideration therefore during the initial three-year term an annual license fee of $600,000 as well as an upfront professional service fee of $1.0 million for one-time configuration, installation and customization of the software. Following the initial three-year term, the MSA will automatically renew for additional one-year terms unless terminated by the Company upon 120 days' notice.

In connection with the MSA, InvestCloud entered into a Side Letter Agreement ("Side Letter") with the Parent pursuant to which InvestCloud acquired 193,906 shares of the Parent's restricted common stock (the "Shares") at a per share price of $5.81 (the Parent's share price as of the close of May 12, 2020) for a total of $1.1 million for professional services to integrate the InvestCloud Platform into the Parent and its subsidiaries' existing systems and Robo-Advisor. The Shares were issued to InvestCloud on May 12, 2020 without registration under the Securities Act of 1933 in reliance upon the exemption provided in Section 4(a)(2) and or Regulation D thereunder.

In accordance with ASU 2018-15, Intangibles, Goodwill and Other Internal-Use Software, the Company recorded a prepaid asset equal to the $2.1 million of the total professional services related to the development work performed by InvestCloud, which is within the line item “Prepaid service contract – non-current” on the statement of financial condition. The Company will amortize this asset over the 3-year term of the contract, a period during which the arrangement is noncancelable. The license fees related to the Company’s use of the InvestCloud Platform are prepaid three months in advance and are within the line item “Prepaid expenses and other assets” on the statement of financial condition. These prepaid license fees are amortized over the three-month term.

6. Fair Value Measurements

Overview

ASC 820 defines fair value, establishes a framework for measuring fair value, and establishes a hierarchy of fair value inputs. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach, as specified by ASC 820, are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 - Quoted prices (unadjusted) in active markets for an identical asset or liability that the Company can assess at the measurement date.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability.

The availability of observable inputs can vary from security to security and is affected by a variety of factors, such as the type of security, the liquidity of markets, and other characteristics particular to the security. To the extent that the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. As such, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company’s own assumptions are set to reflect those that the Company believes market participants would use in pricing the asset or liability at the measurement date.

A description of the valuation techniques applied to the Company’s major categories of assets and liabilities measured at fair value on a recurring basis is as follows:

U.S. government securities: U.S. government securities are valued using quoted market prices and as such, valuation adjustments are not applied. Accordingly, U.S. government securities are generally categorized in level 1 of the fair value hierarchy.

Certificates of deposit: Certificates of deposit included in investments are valued at cost, which approximates fair value. When certificates of deposits are held directly with banking institutions and issued directly to the Company, these are categorized within cash and cash equivalents in level 2 of the fair value hierarchy. When certificates of deposits are available for trading, they are categorized within securities owned, at fair value in level 2 of the fair value hierarchy.

Corporate bonds and convertible preferred stock: The fair value of corporate bonds and convertible preferred stock are determined using recently executed transactions, market price quotations (when observable), bond spreads, or credit default swap spreads obtained from independent external parties such as vendors and brokers, adjusted for any basis difference between cash and derivative instruments. The spread data used is for the same maturity as the bond. If the spread data does not reference the issuer, then data that references a comparable issuer is used. When position-specific external price data is not observable, fair value is determined based on either benchmarking to similar instruments or cash flow models with yield curves, bond, or single-name credit default swap spreads and recovery rates as significant inputs. Corporate bonds and convertible preferred stocks are generally categorized in level 2 of the fair value hierarchy.

Equity securities: Equity securities are valued based on quoted prices from the exchange. To the extent these securities are actively traded, valuation adjustments are not applied, and they are categorized in level 1 of the fair value hierarchy. Securities quoted in inactive markets or with observable inputs are categorized into level 2. If there are no observable inputs or quoted prices, securities are categorized as level 3 assets in the fair value hierarchy. Level 3 assets are not actively traded and subjective estimates based on managements' assumptions are utilized for valuation.

Unit investment trusts: Units of unit investment trusts are carried at redemption value, which represents fair value. Units of unit investment trusts are classified as Level 2 within the fair value hierarchy.

Fair Value Hierarchy Tables

The following tables present the Company's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of the periods presented.

	As of June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Securities owned, at fair value				
U.S. government securities*	$ 2,015,000	$ —	$ —	$ 2,015,000
Certificates of deposit	—	91,000	—	91,000
Corporate bonds	—	15,000	—	15,000
Equity securities	1,098,000	1,056,000	—	2,154,000
Total Securities owned, at fair value	$ 3,113,000	$ 1,162,000	$ —	$ 4,275,000
Liabilities				
Securities sold, not yet purchased, at fair value				
Equity securities	$ —	$ 27,000	$ —	$ 27,000
Unit investment trusts	—	22,000	—	22,000
Total Securities sold, not yet purchased, at fair value	$ —	$ 49,000	$ —	$ 49,000

*As of June 30, 2021, U.S. government securities mature on 08/31/2021

The following represents financial instruments in which the ending balances as of June 30, 2021 are not carried at fair value in the statement of financial condition:

Receivables and other assets: Receivables from customers, receivables from broker-dealers and clearing organizations, other receivables, prepaid service contract, and prepaid expenses and other assets are recorded at amounts that approximate fair value and are classified as level 2 under the fair value hierarchy. The Company may hold cash equivalents related to rent deposits that are categorized as level 2 under the fair value hierarchy.

Securities borrowed and securities loaned: Securities borrowed and securities loaned are recorded at amounts which approximate fair value and are primarily classified as level 2 under the fair value hierarchy. The Company's securities borrowed and securities loaned balances represent amounts of equity securities borrow and loan contracts and are marked-to-market daily in accordance with standard industry practices which approximate fair value.

Payables: Payables to customers, payables to non-customers, drafts payable, payables to broker-dealers and clearing organizations, accounts payable and accrued liabilities, and taxes payable are recorded at amounts that approximate fair value due to their short-term nature and are classified as level 2 under the fair value hierarchy.

Notes payable – related party: The carrying amount of the notes payable – related party approximates fair value due to the relative short-term nature of the borrowing. Under the fair value hierarchy, the notes payable – related party is classified as level 2.

7. Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements consist of the following as of June 30, 2021:

Leasehold improvements	$ 1,414,000
Equipment	280,000
Furniture and fixtures	185,000
Total Furniture, Equipment, and Leasehold Improvements	1,879,000
Less accumulated depreciation	(1,133,000)
Total Furniture, Equipment, and Leasehold Improvements, Net	**$ 746,000**

8. Software, Net

Software consisted of the following as of the period indicated:

	As of June 30, 2021
Software	$ 1,496,000
Less accumulated amortization	(933,000)
Total Software, net	**$ 563,000**

9. Leases

As of June 30, 2021, the Company rents office space under operating leases expiring in 2021 through 2026, and the Company has no financing leases. The leases call for base rent plus escalations as well as other operating expenses. The following table represents the Company's lease right-of-use assets and lease liabilities on the statement of financial condition. The Company elected not to include short-term leases (i.e., leases with initial terms of twelve months or less), or equipment leases (deemed immaterial) on the statement of financial condition.

	As of June 30, 2021
Assets	
Lease right-of-use assets	$ 2,985,000
Liabilities	
Lease liabilities	$ 3,290,000

The calculated amounts of the lease right-of-use assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company leases some miscellaneous office equipment, but they are immaterial and therefore the Company records the costs associated with this office equipment on the statement of income rather than capitalizing them as lease right-of-use assets. The Company determined a discount rate of 5.0% would approximate the Company's cost to obtain financing given its size, growth, and risk profile.

Lease Term and Discount Rate	**As of June 30, 2021**
Weighted average remaining lease term – operating leases (in years)	3.3
Weighted average discount rate – operating leases	5.0%

The following table represents lease costs and other lease information. The Company has elected the practical expedient to not separate lease and non-lease components, and as such, the variable lease cost primarily represents variable payments such as common area maintenance and utilities which are usually determined by the leased square footage in proportion to the overall office building.

Lease Commitments

Future annual minimum payments for operating leases with initial terms of greater than one year as of June 30, 2021 were as follows:

Year	Amount
2021	$ 724,000
2022	1,128,000
2023	899,000
2024	399,000
2025	325,000
Thereafter	139,000
Remaining balance of lease payments	3,614,000
Less: difference between undiscounted cash flows and discounted cash flows	324,000
Lease liabilities	$ 3,290,000

As of June 30, 2021, the Company extended its Horsham branch office lease for a term of 3 years. The total commitment of the extension is approximately $128,000, and the lease will commence on August 1, 2021.

10. Notes Payable - Related Party

As of June 30, 2021, the Company had the below note payable to Gloria E. Gebbia, the Company's Director and the Parent's principal stockholder, the details of which are presented below:

Description	Issuance Date	Face Amount	Unpaid Principal Amount
Subordinated to the Company			
4% due November 30, 2021	November 30, 2020	$ 3,000,000	$ 3,000,000
Total Notes payable – related party		$ 3,000,000	$ 3,000,000

This note payable is subordinated to the Company and is subordinated to the claims of general creditors, approved by FINRA, and are included in the Company's calculation of net capital and the capital requirements under FINRA and SEC regulations.

11. Income Taxes

The results of the Company's operations are included in the consolidated federal and state income tax return of the Parent and the state and local income tax return of the Parent or the Company, as appropriate. Federal income taxes are calculated as if the companies filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent that the Company believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it would be able to realize deferred taxes in the future in excess of their net recorded amount, the Company would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

The Company's provision for income taxes consists of federal and state taxes, as applicable, in amounts necessary to align the Company's year-to-date tax provision with the effective rate that it expects to achieve for the full year. Each quarter the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as necessary. As of June 30, 2021, the

Company has concluded that its deferred tax assets are realizable on a more-likely-than-not basis with the exception of certain federal net operating losses that are expected to expire unutilized and certain state net operating losses.

On March 11, 2021, the American Rescue Plan Act of 2021 ("American Rescue Plan") was signed into law to provide additional relief in connection with the ongoing COVID-19 pandemic. The American Rescue Plan includes, among other things, provisions relating to PPP loan expansion, defined pension contributions, excessive employee remuneration, and the repeal of the election to allocate interest expense on a worldwide basis. Under ASC 740, the effects of new legislation are recognized upon enactment. The enactment of the American Rescue Plan did not impact the Company's income tax provision.

Uncertain Tax Positions

The Company accounts for uncertain tax positions in accordance with the authoritative guidance issued under ASC 740-10, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. ASC 740-10 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure requirements.

The Company recognizes interest and penalties related to unrecognized tax benefits on the provision for income taxes line on the statements of income. Accrued interest and penalties would be included on the related tax liability line on the statement of financial condition.

As of June 30, 2021, the Company recorded an uncertain tax position of $1,292,000 related primarily to the Parent's 2017 to 2019 amended tax returns, as the anticipated tax refunds exceed the amount that meets the more-likely-than-not recognition threshold.

12. Capital Requirements

Net Capital

The Company is subject to the Uniform Net Capital Rules of the SEC (Rule 15c3-1) of the Securities Exchange Act of 1934. Under the alternate method permitted by this rule, net capital, as defined, shall not be less than the lower of $1 million or 2% of aggregate debit items arising from customer transactions. As of June 30, 2021, the Company's net capital was $31.6 million, which was approximately $29.5 million in excess of its required net capital of $2.1 million, and its percentage of aggregate debit balances to net capital was 30.6%.

Special Reserve Account

The Company is subject to Customer Protection Rule 15c3-3 which requires segregation of funds in a special reserve account for the exclusive benefit of customers. As of June 30, 2021, the Company had cash deposits of $348.7 million in the special reserve accounts which was $16 million in excess of the deposit requirement of $332.7 million. After adjustments for deposit(s) and / or withdrawal(s) made on July 1, 2021, the Company had $1.5 million in excess of the deposit requirement.

13. Financial Instruments with Off-Balance-Sheet Risk and Concentrations of Credit Risk

The Company enters into various transactions to meet the needs of customers, conduct trading activities, and manage market risks and is, therefore, subject to varying degrees of market and credit risk.

In the normal course of business, the Company's customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose the Company to off-balance sheet risk in the event the customer or other broker is unable to fulfill its contracted obligations and the Company has to purchase or sell the financial instrument underlying the contract at a loss.

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, collateralized by cash and securities in the customers' accounts. In connection with these activities, the Company executes and clears customer transactions involving the sale of securities not yet purchased, substantially all of which are transacted on a margin basis subject to individual exchange regulations. As of June 30, 2021, the Company had $496M in margin loans extended to its customers.

Such transactions may expose the Company to off-balance sheet risk in the event margin requirements are not sufficient to fully cover losses that customers may incur. In the event the customer fails to satisfy obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices to fulfill the customer's obligations.

The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory and internal guidelines which meet or exceed regulatory requirements. The Company monitors required margin levels daily and pursuant to such guidelines, requires customers to deposit additional collateral or to reduce positions when necessary.

The Company's customer financing and securities settlement activities may require the Company to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company controls this risk by monitoring the market value of securities pledged on a daily basis and by requiring adjustments of collateral levels in the event of excess market exposure. In addition, the Company establishes credit limits for such activities and monitors compliance on a daily basis.

The Company's securities lending transactions are subject to master netting agreements with other broker-dealers however are presented gross in the statement of financial condition. The Company further mitigates risk by utilizing a program with a clearing organization which guarantees the return of cash to us as well as utilizing industry standard software to ensure daily changes to market value are continuously updated and any changes to collateralization are immediately covered.

There were no material losses for unsettled customer transactions for the six months ended June 30, 2021.

14. Commitments, Contingencies and Other

Legal and Regulatory Matters

The Company is party to certain claims, suits and complaints arising in the ordinary course of business.

On July 14, 2021, StockCross entered into a Letter of Acceptance, Waiver, and Consent with FINRA in connection with alleged excessive trading and suitability violations by a registered representative of StockCross in a customer's account, supervisory failures to comply with supervisory requirements relating to certain equity and options and stock lending transactions, and certain record keeping requirements. These activities occurred prior to the Parent's acquisition of StockCross on January 1, 2020. Pursuant to the consent, the Company agreed to a censure, pay a fine of $250,000, and made an undertaking to retain an independent consultant to conduct a comprehensive review of the Company's compliance with suitability rules in connection with solicited equity and options transactions, as well as possession-or-control requirements in connection with the firm's stock loan business.

On July 9, 2021, StockCross entered into a Consent Order with the California Department of Financial Protection and Innovation in connection with alleged supervisory failures relating to the sale of Unit Investment Trusts to six customers. Pursuant to the Consent Order, StockCross agreed desist and refrain from violations of California law relating to supervision by broker-dealers, to make a payment of $100,000 to the Department for administrative costs, and to offer rescission of commissions of approximately $315,000 to the six customers.

The foregoing matters were related to activities that occurred prior to the Company's acquisition of StockCross and will be resolved by the end of the third quarter of 2021. The foregoing matters will not have a material adverse effect on the Company's results of operations or its financial position. As of June 30, 2021, the Company booked an accrued liability of $250,000 for the FINRA fine and an accrued liability of $100,000 for the California administrative costs.

As of June 30, 2021, all other legal matters are without merit or involve amounts which would not have a material impact on the Company's results of operations or its financial position.

Overnight Financing

The Company has an available line of credit for short term overnight demand borrowing of up to $15 million with BMO Harris Bank as of June 30, 2021. As of June 30, 2021, the Company had no outstanding loan balance with BMO Harris Bank and there are no commitment fees or other restrictions on line of credit. The Company utilizes customer or firm securities as a pledge for short-term borrowing needs.

General Contingencies

In the normal course of its business, the Company indemnifies and guarantees certain service providers against specified potential losses in connection with their acting as an agent of, or providing services to, the Company. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statement for these indemnifications.

The Company provides representations and warranties to counterparties in connection with a variety of commercial transactions and occasionally indemnifies them against potential losses caused by the breach of those representations and warranties. The Company may also provide standard indemnifications to some counterparties to protect them in the event additional taxes are owed or payments are withheld, due either to a change in or adverse application of certain tax laws. These indemnifications generally are standard contractual terms and are entered into in the normal course of business. The maximum potential amount of future payments that the Company could be required to make under these indemnifications cannot be estimated. However, the Company believes that it is unlikely it will have to make material payments under these arrangements and has not recorded any contingent liability in the financial statement for these indemnifications.

The Company is self-insured with respect to employee health claims. The Company maintains stop-loss insurance for certain risks and has a health claim reinsurance limit capped at approximately $65,000 per employee. The estimated liability for self-insurance claims is initially recorded in the year in which the event of loss occurs and may be subsequently adjusted based upon new information and cost estimates. Reserves for losses represent estimates of reported losses and estimates of incurred but not reported losses based on past and current experience. Actual claims paid and settled may differ, perhaps significantly, from the provision for losses. This adds uncertainty to the estimated reserves for losses. Accordingly, it is at least possible that the ultimate settlement of losses may vary significantly from the amounts included in the financial statements.

The Company believes that its present insurance coverage and reserves are sufficient to cover currently estimated exposures, but there can be no assurance that the Company will not incur liabilities in excess of recorded reserves or in excess of its insurance limits.

15. Employee Benefit Plans

The Company, through its affiliate Kennedy Cabot Acquisition, LLC (“KCA”), sponsors a defined-contribution retirement plan under Section 401(k) of the Internal Revenue Code that covers substantially all employees. Participant contributions to the plan are voluntary and are subject to certain limitations. The Company may also make discretionary contributions to the plan. No contributions were made by the Company for the six months ended June 30, 2021.

16. Related Party Disclosures

Kennedy Cabot Acquisition, LLC

KCA is an affiliate of the Company and is under common ownership with the Company. To gain efficiencies and economies of scale with billing and administrative functions, KCA serves as a paymaster for the Company and the Parent for payroll and related functions, the entirety of which KCA passes through to the subsidiaries of the Parent proportionally. In addition, KCA has purchased the naming rights of the Parent for the Parent to use.

KCA sponsors a 401(k) profit sharing plan which covers substantially all of the Company’s employees. Employee contributions to the plan are at the discretion of eligible employees. There were no contributions by the Company or KCA to the plan for the six months ended June 30, 2021.

Park Wilshire Companies, Inc. (“PW”)

PW brokers the insurance policies for the Company and other related parties.

Gloria E. Gebbia

The Company has entered into various debt agreements with Gloria E. Gebbia, the Parent’s principal stockholder and Board Member of the Company. *See “Note 10 – Notes Payable - Related Party” for additional detail.*

Gebbia Sullivan County Land Trust

The Company operates on a month-to-month lease agreement for its branch office in Omaha, Nebraska with the Gebbia Sullivan County Land Trust, the trustee of which is a member of the Gebbia Family.

Siebert AdvisorNXT, Inc. ("SNXT")

SNXT is a registered investment advisor and wholly-owned subsidiary of the Parent. The Company provides brokerage services for SNXT and its clients.

17. Subsequent Events

The Company has evaluated events that have occurred subsequent to June 30, 2021 and through August 19, 2021, the date of the filing of this Report.

On July 28, 2021, the Parent's Board of Directors approved the Siebert Financial Corp. 2021 Equity Incentive Plan which will be submitted for shareholder approval at the upcoming 2021 Annual Meeting of Shareholders. In addition, on August 6, 2021, the Parent's Board of Directors approved a 401(k) matching program for its employees.

Other than the events described above, there have been no material subsequent events that occurred during such period that would require disclosure in this Report or would be required to be recognized in the financial statement as of June 30, 2021.

MURIEL SIEBERT & CO., INC.
SUPPLEMENTARY INFORMATION
COMPUTATION OF NET CAPITAL UNDER SEC UNIFORM NET CAPITAL RULE 15C3-1
As of June 30, 2021

Total capital and allowable subordinated liabilities	$ 42,951,000
Total Non-allowable assets	10,715,000
Net capital before haircuts on securities positions	32,236,000
Less: Haircuts on securities:	622,000
Net capital	$ 31,614,000
Minimum capital requirement	2,068,000
Excess net capital	$ 29,546,000
Net capital in excess of 120% of requirement	$ 26,445,000
Percentage of net capital to aggregate debits	30.58%

There are no material differences between the above computation of net capital and the corresponding computation prepared by the Company as of the same date and included in its unaudited Part II FOCUS Report filing under Rule 17a-5(a) of the SEC.