SIEBERT

MURIEL SIEBERT & CO., INC.

Member NYSE, FINRA, SIPC

STATEMENT OF FINANCIAL CONDITION

As of June 30, 2020
(with supplementary information)

MURIEL SIEBERT & CO., INC.

As of June 30, 2020

Table of Contents

MURIEL SIEBERT & CO., INC.
UNAUDITED STATEMENT OF FINANCIAL CONDITION
As of June 30, 2020

	As of June 30, 2020
ASSETS	
Current assets	
Cash and cash equivalents	$ 2,885,000
Cash and securities segregated for regulatory purposes	255,683,000
Receivables from customers	80,378,000
Receivables from broker-dealers and clearing organizations	1,861,000
Other receivables	990,000
Prepaid expenses and other assets	495,000
Securities borrowed	167,252,000
Securities owned, at fair value	2,374,000
Total Current assets	511,918,000
Deposits with broker-dealers and clearing organizations	3,593,000
Prepaid service contract – non-current	2,099,000
Furniture, equipment and leasehold improvements, net	918,000
Software, net	699,000
Lease right-of-use assets	2,757,000
Deferred tax assets	5,284,000
Total Assets	$ 527,268,000
LIABILITIES AND STOCKHOLDERS' EQUITY	
Liabilities	
Current liabilities	
Payables to customers	$ 314,098,000
Payables to non-customers	7,719,000
Drafts payable	1,975,000
Payables to broker-dealers and clearing organizations	3,582,000
Accounts payable and accrued liabilities	1,723,000
Securities loaned	159,447,000
Securities sold, not yet purchased, at fair value	17,000
Notes payable - related party	5,000,000
Taxes payable	61,000
Current portion of lease liabilities	1,613,000
Total Current liabilities	495,235,000
Lease liabilities, less current portion	1,522,000
Total Liabilities	496,757,000
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	18,096,000
Retained earnings	12,414,000
Total stockholders' equity	30,511,000
Total Liabilities and stockholders' equity	$ 527,268,000

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

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

1. Business

Muriel Siebert & Co., Inc. ("MSCO" or the "Company"), a wholly-owned subsidiary of Siebert Financial Corp. ("Siebert" or "Parent"), is registered as a broker dealer with FINRA and engages in the business of providing discount 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, 2020, 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 during the first and second quarter of 2020. COVID-19 has spread across the globe during 2020 and has impacted economic activity worldwide. In response to COVID-19, national and local governments around the world have 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 Company instituted a number of temporary closures of branch offices; however, as of the date of the filing of this report, many branch offices have been re-opened. Based on management's assessment as of June 30, 2020, 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 the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of 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 makes significant estimates that affect the reported amounts of assets, liabilities, revenue, and expenses. The estimates relate primarily to revenue and expenses in the normal course of business as to which the Company receives no confirmations, invoices, or other documentation at the time the books are closed. The Company uses its best judgment, based on knowledge of these revenue transactions and expenses incurred, to estimate the amount of such revenue and expenses. 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 historical losses in relation to its contra-parties.

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, 2020, the Company did not hold any cash equivalents. At times, cash balances may exceed Federal Deposit Insurance Corporation insured limits.

Cash and Securities Segregated for Regulatory Purposes

The Company is subject to Customer Account Rule 15c3-3 of the SEC which requires segregation of funds in a special reserve account for the exclusive benefit of customers. Effective upon the Company's acquisition of StockCross on January 1, 2020, the requirements and special reserve accounts of the Company and StockCross were combined.

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, 2020.

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. Deposits with broker-dealers and clearing organizations include amounts held on deposit with broker-dealers and clearing organizations and are included in the line item "Deposits with broker-dealers and clearing organizations."

The Company's customer transactions for the six months ended June 30, 2020 were both self-cleared and cleared on a fully disclosed basis through National Financial Services Corp. ("NFS"). As of January 1, 2020, all clearing and other services previously provided by StockCross are performed by the Company.

The Company operates on a month to month basis with its broker-dealers and clearing organizations and their fees are offset against the Company's revenues on a monthly basis. As of June 30, 2020, cash clearing deposits with NFS were $50,000.

Upon the closing of the Company's acquisition of StockCross on January 1, 2020, all deposits with StockCross were eliminated. As of June 30, 2020, the Company had deposits with and other non-current receivables from broker-dealers and clearing organizations of approximately $3.6 million.

The Company evaluates receivables from broker-dealers for collectability noting no amount was considered uncollectable as of June 30, 2020. 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 7 – Fair Value Measurements" for additional detail.*

Securities Owned and Securities Sold, 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 7 – Fair Value Measurements" for additional detail.*

Furniture, Equipment and Leasehold Improvements

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 software license arrangements with a contract term of greater than 1 year, as well as other software, and amortizes the assets over the estimated useful life of the software or contract term, generally not exceeding 3 years. The Company accounts for software license arrangements with a contract term of 1 year as prepaid assets and amortizes them over the contract term. 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

Accounts payable 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.

Payables to non-customers also include amounts due on cash transactions owned and controlled by the Company's proprietary accounts of introducing broker-dealers. Effective upon the Company's acquisition of StockCross on January 1, 2020, the Company no longer had any proprietary accounts of introducing broker-dealers.

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 amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statement, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the statement of income for the changes in deferred tax liabilities or assets between years.

As a result of the inclusion in consolidated filings, the income taxes payable or receivable by the Company are reflected in the intercompany account with the Parent. Taxes payable as of June 30, 2020 was $61,000. The Company records an offsetting capital contribution from the Parent for federal or state and local income taxes that are not expected to be paid directly by the Parent.

The Company records accruals for uncertain tax positions when the Company believes that it is not 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 Company adjusts these accruals when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. The Company had no uncertain tax positions as of June 30, 2020.

The Company recognizes deferred tax assets to the extent that the Company believes 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 reversal of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. To the extent the Company determines that realization of deferred tax assets is not more likely than not, the Company records a valuation allowance for the deferred tax assets. As a result, the amount of the deferred tax assets considered realizable could be reduced in the near term if estimates of future taxable income are reduced. Such an occurrence could materially impact the Company's results of operations and financial condition.

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

Recently Adopted Accounting Pronouncements

ASU 2018-15 - In August 2018, the FASB issued Accounting Standards Update ("ASU") 2018-15, Intangibles, Goodwill and Other Internal-Use Software, (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing

Arrangement That Is a Service Contract, which requires customers to apply the same criteria for capitalizing implementation costs incurred in a cloud computing arrangement that is hosted by the vendor as they would for an arrangement that has a software license. The standard is effective for interim and annual periods beginning after December 15, 2019 and early adoption is permitted. The standard can be adopted prospectively or retrospectively. The Company adopted this new standard on January 1, 2020. *See "Note 6 – Prepaid Service Contract" for additional detail.*

ASU 2018-13 - In August 2018, the FASB issued ASU 2018-13, Fair value Measurement (Accounting Standards Codification ("ASC") 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 removes certain disclosures, modifies certain disclosures and adds additional disclosures. The standard is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2019 and early adoption is permitted. The Company adopted the new standard on its effective date, January 1, 2020, and determined it was immaterial to the Company's financial statement as of June 30, 2020.

ASU 2018-07 - In June 2018, the FASB issued ASU No. 2018-07, Compensation - Stock Compensation (Topic 718). ASU 2018-07 is intended to reduce cost and complexity of financial reporting for non-employee share-based payments. Currently, the accounting requirements for non-employee and employee share-based payments are significantly different. ASU 2018-07 expands the scope of Topic 718, which currently only includes share-based payments to employees, to include share-based payments to non-employees for goods or services. Consequently, the accounting for share-based payments to non-employees and employees will be substantially aligned. This ASU supersedes Subtopic 505-50, "Equity - Equity-Based Payments to Nonemployees." The amendments to ASU 2018-07 are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than a company's adoption date of ASU No. 2014-09, (Topic 606), "Revenue from Contracts with Customers." The Company adopted this accounting pronouncement on January 1, 2020.

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a significant impact on the Company's financial statement and related disclosures as of June 30, 2020.

4. Acquisitions

Acquisition of StockCross

As previously disclosed in a Current Report on Form 8-K filed on January 25, 2019, the Company purchased approximately 15% of the outstanding shares of StockCross. Subsequently, as previously disclosed in a Current Report of the Parent on Form 8-K filed on January 7, 2020, the Company acquired the remaining 85% of StockCross' outstanding shares in exchange for 3,298,774 shares of the Parent's common stock. Effective January 1, 2020, StockCross was merged with and into the Company, and as of January 1, 2020, all clearing and other services provided by StockCross are performed by the Company.

See "Note 3 – Acquisitions" on the Parent's Quarterly Report on Form 10-Q for the period ended June 30, 2020 filed on August 13, 2020 for additional detail.

5. 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, 2020
Receivables from and deposits with broker-dealers and clearing organizations	
DTCC / OCC / NSCC	$ 4,461,000
NFS	966,000
Securities fail-to-deliver	19,000
Globalshares	8,000
Total Receivables from and deposits with broker-dealers and clearing organizations	$ 5,454,000
Payables to broker-dealers and clearing organizations	
Securities fail-to-receive	$ 3,582,000
Total Payables to broker-dealers and clearing organizations	$ 3,582,000

6. 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 Company 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 Company's existing systems. 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) 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 a three-month term.

7. 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.

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.

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, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Securities owned, at fair value				
U.S. government securities*	$ 2,042,000	$ —	$ —	$ 2,042,000
Corporate bonds	—	23,000	—	23,000
Equity securities	161,000	148,000	—	309,000
Total Securities owned, at fair value	$ 2,203,000	$ 171,000	$ —	$ 2,374,000
Liabilities				
Securities sold, not yet purchased, at fair value				
Equity securities	$ —	$ 17,000	$ —	$ 17,000
Total Securities sold, not yet purchased, at fair value	$ —	$ 17,000	$ —	$ 17,000

*As of June 30, 2020, U.S. government securities mature on 08/31/2021

	Changes in Level 3 Equity Assets Six Months Ended June 30, 2020		
	Amount	**Valuation Technique**	**Reason for Change**
Balance – January 1, 2020	$ 288,000	Liquidation value based on valuation report	
Transfers out of level 3	(288,000)		Sale of equity security
Balance – June 30, 2020	$ —		

The following represents financial instruments in which the ending balances as of June 30, 2020 are not carried at fair value in the statement of financial condition:

Short-term financial instruments: The carrying value of short-term financial instruments, including cash and securities segregated for regulatory purposes are recorded at amounts that approximate the fair value of these instruments. These financial instruments generally expose the Company to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market rates. Cash and securities segregated for regulatory purposes are classified as level 1. Securities segregated for regulatory purposes consist of treasury notes which are categorized in the above tables as level 1 assets.

Receivables and other assets: Receivables from broker-dealers and clearing organizations, receivables from customers, other receivables, and other assets are recorded at amounts that approximate fair value and are classified 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, and accounts payable and accrued liabilities 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.

8. Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements consisted of the following as of the period indicated:

	As of June 30, 2020
Leasehold improvements	$ 1,389,000
Equipment	136,000
Furniture and fixtures	144,000
Total Furniture, Equipment, and Leasehold Improvements	1,669,000
Less accumulated depreciation	(751,000)
Total Furniture, Equipment, and Leasehold Improvements, Net	**$ 918,000**

9. Software, Net

Software consisted of the following as of the period indicated:

	As of June 30, 2020
Software	$ 1,219,000
Less accumulated amortization	(520,000)
Total Software, net	**$ 699,000**

The Company generally recognizes software initially at cost and amortizes it over the estimated useful life of 3 years. As of June 30, 2020, the Company estimates future amortization of software assets of $187,000, $317,000, $164,000 and $31,000 in the years ended December 31, 2020, 2021, 2022, and 2023, respectively.

10. Leases

As of June 30, 2020, the Company rents office space under operating leases expiring in 2021 through 2024, 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. The Company acquired two leases from its acquisition of StockCross, the impact of which is reflected in the following disclosures.

As of June 30, 2020, the Company does not believe that any of the renewal options under the existing leases are reasonably certain to be exercised; however, the Company will continue to assess and monitor the lease renewal options on an ongoing basis.

	As of June 30, 2020
Assets	
Lease right-of-use assets	$ 2,757,000
Liabilities	
Lease liabilities	$ 3,135,000

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, 2020
Weighted average remaining lease term – operating leases (in years)	2.5
Weighted average discount rate – operating leases	5.0%

Lease Commitments

Future annual minimum payments for operating leases with initial terms of greater than one year as of June 30, 2020 were as follows:

Year	Amount
2020	$ 1,019,000
2021	1,089,000
2022	624,000
2023	543,000
2024	56,000
Remaining balance of lease payments	3,331,000
Difference between undiscounted cash flows and discounted cash flows	196,000
Lease liabilities	$ 3,135,000

11. Notes Payable – Related Party

As of June 30, 2020, the Company had various notes payable to Gloria E. Gebbia, the Parent's principal stockholder, the details of which are presented below:

Description	Issuance Date	Face Amount
Subordinated to the Company*		
4% due November 30, 2020**	November 30, 2018	$ 3,000,000
4% due September 4, 2020	September 4, 2019	2,000,000
Total Notes payable – related party		$ 5,000,000

*The notes payable subordinated to the Company were acquired as part of the acquisition of StockCross
**This note payable was renewed on November 30, 2019 for a term of one year

Effective March 3, 2020, the interest rates on the loans due November 30, 2020 and September 4, 2020 were renegotiated from 2.75% and 1.75%, respectively, to 4%. There was no consideration paid or received as part of this renegotiation. Notes subordinated to the Company are 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.

12. 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, 2020, the Company's conclusion regarding the realizability of its deferred tax assets did not change.

CARES Act

On March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") was enacted in response to the COVID-19 pandemic. Under ASC 740, the effects of changes in tax rates and laws are recognized in the period which the new legislation is enacted. The CARES Act made various tax law changes including among other things (i) increased the limitation under IRC Section 163(j) for 2019 and 2020 to permit additional expensing of interest (ii) enacted a technical correction so that qualified improvement property can be immediately expensed under IRC Section 168(k) and (iii) made modifications to the federal net operating loss rules including permitting federal net operating losses incurred in 2018, 2019, and 2020 to be carried back to the five preceding taxable years in order to generate a refund of previously paid income taxes and (iv) enhanced recoverability of AMT tax credits. The CARES Act did not have a significant impact on the Company's financial statement.

13. Capital Requirements

The Company is subject to the Uniform Net Capital Rules of the SEC (Rule 15c3-1) of the Securities 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, 2020, the Company's net capital was $24.8 million, which was approximately $22.9 million in excess of its required net capital of $1.9 million, and its percentage of aggregate debit balances to net capital was 25.7%.

Special Reserve Account

The Company is subject to Customer Account Rule 15c3-3 of the SEC which requires segregation of funds in a special reserve account for the exclusive benefit of customers. As of June 30, 2020, the Company had cash deposits of $255.6 million in the special reserve account which was $13.4 million in excess of the deposit requirement of $242.2 million. After adjustments for deposit(s) and / or withdrawal(s) made on July 1, 2020, the Company had $1.0 million in excess of the customer reserve requirement.

14. 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.

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. 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.

Retail customer transactions are self-cleared or on a fully disclosed basis, through NFS. In the event that customers are unable to fulfill their contractual obligations, the clearing broker may charge the Company for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy customers' obligations. The Company regularly monitors the activity in its customer accounts for compliance with its margin requirements. Securities transactions entered into as of June 30, 2020 have settled subsequent thereto with no material adverse effect on the Company's financial statement.

Credit risk represents the potential loss that would occur if counterparties fail to perform pursuant to the terms of their obligations. The Company is subject to credit risk to the extent a custodian or broker with whom it conducts business is unable to fulfill contractual obligations.

15. 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. In the opinion of the Company, all such matters are without merit, or involve amounts which would not have a significant effect on the financial statement of the Company.

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 $50,000 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 statement.

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.

16. 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, 2020.

17. 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. In addition, KCA sponsors a 401(k)-profit sharing plan which covers substantially all of the Company’s employees.

In January 2020, the Company sold approximately $290,000 worth of a private equity security to KCA at cost.

Park Wilshire Companies, Inc.

Park Wilshire Companies, Inc. ("PWC") is a wholly-owned subsidiary of the Parent and 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 11 – 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 relative of Gloria E. Gebbia. For both the three months ended June 30, 2020 and 2019, the Company paid $15,000 in rent for this branch office. For both the six months ended June 30, 2020 and 2019, the Company paid $30,000 in rent for this branch office.

Siebert AdvisorNXT, Inc.

Siebert AdvisorNXT, Inc. ("SNXT") is a registered investment advisor and wholly-owned subsidiary of Parent. The Company provides brokerage services for SNXT and its clients.

18. Subsequent Events

The Company has evaluated events that have occurred subsequent to June 30, 2020 and through August 14, 2020, the date of the filing of this report.

As of the end of July 2020, the Parent contributed capital to the Company of approximately $5.0 million in cash.

Other than the event 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, 2020.

MURIEL SIEBERT & CO., INC.
SUPPLEMENTARY INFORMATION
COMPUTATION OF NET CAPITAL UNDER SEC UNIFORM NET CAPITAL RULE 15C3-1
As of June 30, 2020

Total Stockholder's Equity	$ 30,511,000
Less: Total deductions and/or charges	10,578,000
Plus: Liabilities subordinated to claims of general creditors allowable in computation of net capital	5,000,000
Net capital before haircuts on securities positions	24,933,000
Less: Haircuts on securities:	131,000
Net capital	$ 24,802,000
Minimum capital requirement	1,928,000
Excess net capital	$ 22,874,000
Net capital in excess of 120% of requirement	$ 19,983,000
Percentage of net capital to aggregate debits	25.7%

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.