

SIEBERT FINANCIAL CORP  
Form 10-K/A  
June 12, 2012

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

**Form 10-K/A**

(Amendment No. 1)

(Mark One)

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

**For the fiscal year ended: December 31, 2011**

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number 0-5703**

**Siebert Financial Corp.**

(Exact name of registrant as specified in its charter)

**New York**  
(State or other jurisdiction of  
incorporation or organization)

**885 Third Avenue, New York, New York**  
(Address of principal executive offices)

**(212) 644-2400**  
Registrant's telephone number

**11-1796714**  
(I.R.S. Employer  
Identification No.)

**10022**  
(Zip Code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

Title of each class	Name of each exchange on which registered
<b>COMMON STOCK, PAR VALUE \$.01 PER SHARE</b>	<b>THE NASDAQ CAPITAL MARKET</b>

Securities registered under Section 12(g) of the Exchange Act:

**NONE**  
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
YES  NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES  NO

## Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

The aggregate market value of the Common Stock held by non-affiliates of the registrant (based upon the last sale price of the Common Stock reported on the NASDAQ Capital Market as of the last business day of the registrant's most recently completed second fiscal quarter (June 30, 2011)), was \$3,641,491.

The number of shares of the registrant's outstanding Common Stock, as of March 13, 2012, was 22,103,176 shares.

Documents Incorporated by Reference: Definitive Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act on or before April 29, 2012 is incorporated by reference into Part III.

### **Explanatory Note**

This Amendment No. 1 on Form 10-K/A (this "Amendment") amends the Annual Report on Form 10-K of Siebert Financial Corp. (the "Company") for the year ended December 31, 2011, originally filed with the Securities and Exchange Commission on March 30, 2012 (the "Original Report"). This Amendment is being filed solely to add the conformed name and signature of the Company's independent registered public accounting firm to the Report of Independent Registered Public Accounting Firm to the Board of Managers of Siebert, Brandford, Shank & Co., L.L.C. on page F-15 of the Original Report as filed on EDGAR. The original signature of the Company's independent registered public accounting firm was received as of the date of its report and is maintained in the Company's files. In addition, the Company has amended Item 15 of Part IV to reflect the filing of currently dated certifications. No other changes are being made by means of this filing. This Amendment speaks as of the filing date of the Original Report and does not modify or update any other disclosures subsequent to the date of the Original Report.

---

**PART IV**

**Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

The exhibits required by Item 601 of Regulation S-K filed as part of, or incorporated by reference in, this Annual Report are listed in the accompanying Exhibit Index.

(a) The following documents are filed as part of this report:

1. Financial Statements

The consolidated Financial statements for the year ended December 31, 2011 commence on page F-1 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

None.

3. Exhibits

The exhibits required by Item 601 of Regulation S-K filed as part of, or incorporated by reference in, this report are listed in the accompanying Exhibit Index. Exhibit Numbers 10.1, 10.2 and 10.6 are management contracts, compensatory plans or arrangements.

---

Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
<b>SIEBERT FINANCIAL CORP.</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	F-1
<u>Consolidated Statements of Financial Condition at December 31, 2011 and 2010</u>	F-2
<u>Consolidated Statements of Operations for each of the years in the three-year period ended December 31, 2011</u>	F-3
<u>Consolidated Statements of Changes in Stockholders' Equity for each of the years in the three-year period ended December 31, 2011</u>	F-4
<u>Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2011</u>	F-5
<u>Notes to Consolidated Financial Statements</u>	F-6
<b>SIEBERT, BRANDFORD, SHANK &amp; CO., L.L.C.</b>	
<u>Report of Independent Registered Public Accounting Firm</u>	F-15
<u>Statements of Financial Condition at December 31, 2011 and 2010</u>	F-16
<u>Statements of Operations for each of the years in the three-year period ended December 31, 2011</u>	F-17
<u>Statements of Changes in Members' Capital for each of the years in the three-year period ended December 31, 2011</u>	F-18
<u>Statements of Changes in Subordinated Borrowings</u>	F-19
<u>Statements of Cash Flows for each of the years in the three-year period ended December 31, 2011</u>	F-20
<u>Notes to Financial Statements</u>	F-21

---

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholders  
Siebert Financial Corp.

We have audited the accompanying consolidated balance sheets of Siebert Financial Corp. and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Siebert Financial Corp. and subsidiaries as of December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ EisnerAmper LLP

New York, New York  
March 29, 2012

## SIEBERT FINANCIAL CORP. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	December 31,	
	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 21,167,000	\$ 22,646,000
Cash equivalents - restricted	1,532,000	1,532,000
Receivable from brokers	1,033,000	1,563,000
Securities owned, at fair value	250,000	1,116,000
Furniture, equipment and leasehold improvements, net	757,000	1,246,000
Investments in and advances to affiliates	8,619,000	9,816,000
Income tax refund receivable		795,000
Prepaid expenses and other assets	827,000	741,000
Intangibles, net	638,000	648,000
	\$ 34,823,000	\$ 40,103,000
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 3,599,000	\$ 3,477,000
<b>Commitments and contingent liabilities - Note I</b>		
Stockholders' equity:		
Common stock, \$.01 par value; 49,000,000 shares authorized, 23,211,846 shares issued, 22,105,499 and 22,122,678 shares outstanding at December 31, 2011 and 2010, respectively	232,000	232,000
Additional paid-in capital	19,490,000	19,484,000
Retained earnings	16,230,000	21,609,000
Less: 1,106,347 and 1,089,168 shares of treasury stock, at cost, at December 31, 2011 and 2010, respectively	(4,728,000)	(4,699,000)
	31,224,000	36,626,000
	\$ 34,823,000	\$ 40,103,000

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31,		
	2011	2010	2009
<b>Revenue:</b>			
Commissions and fees	\$ 14,314,000	\$ 17,144,000	\$ 18,244,000
Investment banking	3,801,000	2,238,000	5,387,000
Trading profits	2,005,000	1,237,000	1,636,000
Interest and dividends	79,000	151,000	123,000
	20,199,000	20,770,000	25,390,000
<b>Expenses:</b>			
Employee compensation and benefits	9,993,000	9,189,000	12,219,000
Clearing fees, including floor brokerage	2,842,000	3,139,000	5,545,000
Professional fees	5,057,000	6,517,000	6,726,000
Advertising and promotion	402,000	400,000	813,000
Communications	2,144,000	2,359,000	2,606,000
Occupancy	1,095,000	1,274,000	1,279,000
Impairment of intangibles		150,000	
Other general and administrative	3,051,000	2,851,000	2,926,000
Provision for loss related to settlement of litigation	1,000,000		
	25,584,000	25,879,000	32,114,000
Income from equity investees	29,000	4,078,000	4,224,000
Loss before income taxes	(5,356,000)	(1,031,000)	(2,500,000)
Income tax expense (benefit)	23,000	1,609,000	(1,317,000)
Net loss	\$ (5,379,000)	\$ (2,640,000)	\$ (1,183,000)
Net loss per share of common stock basic and diluted	\$ (0.24)	\$ (0.12)	\$ (0.05)
Weighted average shares outstanding basic and diluted	22,114,121	22,167,218	22,193,845

See notes to consolidated financial statements.

Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

	Common Stock				Treasury Stock		
	Number Of Shares	\$.01 Par Value	Additional Paid -In Capital	Retained Earnings	Number Of Shares	Amount	Total
<b>Balance - January 1, 2009</b>	23,211,846	\$ 232,000	\$ 19,454,000	\$ 25,432,000	1,009,731	\$ (4,534,000)	\$ 40,584,000
Net loss				(1,183,000)			(1,183,000)
Treasury share purchases					16,790	(33,000)	(33,000)
Stock based compensation			20,000				20,000
<b>Balance - December 31, 2009</b>	23,211,846	232,000	19,474,000	24,249,000	1,026,521	(4,567,000)	39,388,000
Net loss				(2,640,000)			(2,640,000)
Treasury share purchases					62,647	(132,000)	(132,000)
Stock based compensation			10,000				10,000
<b>Balance - December 31, 2010</b>	23,211,846	232,000	19,484,000	21,609,000	1,089,168	(4,699,000)	36,626,000
Net loss				(5,379,000)			(5,379,000)
Treasury share purchases					17,179	(29,000)	(29,000)
Stock based compensation			6,000				6,000
<b>Balance - December 31, 2011</b>	23,211,846	\$ 232,000	\$ 19,490,000	\$ 16,230,000	1,106,347	\$ (4,728,000)	\$ 31,224,000

See notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	2011	2010	2009
<b>Cash Flows From Operating Activities:</b>			
Net loss	\$ (5,379,000)	\$ (2,640,000)	\$ (1,183,000)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	520,000	525,000	482,000
Income from equity investees	(29,000)	(4,078,000)	(4,224,000)
Distributions from equity investees	1,185,000	3,346,000	1,539,000
Impairment of intangibles		150,000	
Deferred taxes		1,323,000	(175,000)
Stock based compensation	6,000	10,000	20,000
Changes in:			
Cash and cash equivalents restricted			(232,000)
Securities owned, at fair value	866,000	491,000	(849,000)
Receivable from clearing broker	530,000	391,000	(272,000)
Income tax refund receivable	795,000	279,000	238,000
Prepaid expenses and other assets	(86,000)	309,000	(24,000)
Accounts payable and accrued liabilities	122,000	(1,218,000)	(300,000)
<b>Net cash used in operating activities</b>	<b>(1,470,000)</b>	<b>(1,112,000)</b>	<b>(4,980,000)</b>
<b>Cash Flows From Investing Activities:</b>			
Purchase of customer list		(50,000)	
Purchase of furniture, equipment and leasehold improvements	(21,000)	(200,000)	(545,000)
Subordinated loan to investee		(10,000,000)	
Repayment of subordinated loan to investee		10,000,000	
(Payment) collection of advances made to equity investees	41,000	(44,000)	125,000
<b>Net cash provided by (used in) investing activities</b>	<b>20,000</b>	<b>(294,000)</b>	<b>(420,000)</b>
<b>Cash Flows From Financing Activities:</b>			
Purchase of treasury shares	(29,000)	(132,000)	(33,000)
<b>Net cash used in financing activities</b>	<b>(29,000)</b>	<b>(132,000)</b>	<b>(33,000)</b>
Net decrease in cash and cash equivalents	(1,479,000)	(1,538,000)	(5,433,000)
Cash and cash equivalents - beginning of year	22,646,000	24,184,000	29,617,000
<b>Cash and cash equivalents - end of year</b>	<b>\$ 21,167,000</b>	<b>\$ 22,646,000</b>	<b>\$ 24,184,000</b>
<b>Supplemental Cash Flow Disclosures:</b>			
Cash for:			
Income taxes (received) paid, net	\$ (717,000)	\$ 16,000	\$ 239,000

See notes to consolidated financial statements.



SIEBERT FINANCIAL CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Note A - Summary Of Significant Accounting Policies**

**[1] Business and Principles of Consolidation:**

Siebert Financial Corp. ( Financial ), through its wholly owned subsidiary, Muriel Siebert & Co., Inc. ( Siebert ), engages in the business of providing discount brokerage services for customers, investment banking services for institutional clients and trading securities for its own account, and, through its wholly owned subsidiary, Siebert Women's Financial Network, Inc. ( WFN ), engages in providing products, services and information devoted to women's financial needs. The accompanying consolidated financial statements includes the accounts of Financial and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. Financial, Siebert and WFN collectively are referred to herein as the Company .

The municipal bond investment banking business is conducted by Siebert, Brandford, Shank & Co., L.L.C. ( SBS ), and related derivatives transactions are conducted by SBS Financial Products Company, LLC ( SBSFP ), investees not controlled or majority-owned, which are accounted for by the equity method of accounting (see Note B). The equity method provides that the Company records its share of the investees' earnings or losses in its results of operations with a corresponding adjustment to the carrying value of its investment. In addition, the investment is adjusted for capital contributions to and distributions from the investees. Operations of equity investees are considered integral to Siebert's operations.

**[2] Cash Equivalents:**

Cash equivalents consist of highly liquid investments purchased with an original maturity of three months or less. Cash equivalents are carried at fair value and amounted to \$19,726,000 and \$20,896,000 at December 31, 2011 and 2010, respectively, consisting of money market funds.

Cash equivalents restricted represents \$1,532,000 of cash invested in a money market account which serves as collateral for a secured demand note payable in the amount of \$1,200,000 to SBS (see Note I).

**[3] Securities:**

Securities owned are carried at fair value with realized and unrealized gains and losses reflected in trading profits. Siebert clears all its security transactions through unaffiliated clearing firms on a fully disclosed basis. Accordingly, Siebert does not hold funds or securities for, or owe funds or securities to, its customers. Those functions are performed by the clearing firms.

**[4] Fair value of financial instruments:**

Authoritative accounting guidance defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available.

Level 3 Unobservable inputs reflect the assumptions that management develops based on available information about the assumptions market participants would use in valuing the asset or liability.

**Note A - Summary Of Significant Accounting Policies (CONTINUED)**

The classification of financial instruments valued at fair value as of December 31, 2011 and 2010 is as follows:

Financial Instrument	2011		
	Level 1	Level 2	Total
Cash equivalents	\$ 19,726,000		\$ 19,726,000
Securities	250,000	\$	\$ 250,000
	\$ 19,976,000	\$	\$ 19,976,000

  

Financial Instrument	2010		
	Level 1	Level 2	Total
Cash equivalents	\$ 20,896,000		\$ 20,896,000
Securities	242,000	\$ 874,000	1,116,000
	\$ 21,138,000	\$ 874,000	\$ 22,012,000

At December 31, 2011 and 2010 respectively, securities include common stock of \$250,000 and \$242,000 valued on the last business day of the year at the last available reported sales price on the primary securities exchange (Level 1) and at December 31, 2010 also includes municipal bonds of \$874,000 valued based on prices obtained from pricing sources, which derive values from observable inputs (Level 2).

**[5] Income Taxes:**

The Company accounts for income taxes utilizing the asset and liability approach requiring the recognition of deferred tax assets and liabilities for the expected future tax consequences of net operating loss carryforwards and temporary differences between the basis of assets and liabilities for financial reporting purposes and tax purposes.

**[6] 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 five years. Leasehold improvements are amortized over the shorter of the estimated useful life of the improvements or period of the lease.

**[7] Advertising Costs:**

Advertising costs are charged to expense as incurred.

**[8] Use of Estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**[9] Per Share Data:**

Basic earnings (loss) per share is calculated by dividing net income (loss) by the weighted average outstanding common shares during the year. Diluted earnings per share is calculated by dividing net income by the number of shares outstanding under the basic calculation and adding all dilutive securities, which consist of options. The Company incurred a net loss for each of the years ended December 31, 2011, 2010 and 2009. Accordingly, basic and diluted net loss per common share are the same for each year as the effect of stock options is anti-dilutive. In 2011, 2010 and 2009, 1,228,200, 1,503,200 and 1,719,700 common shares, respectively, issuable upon the exercise of options were not included in the computation.

**[10] Revenue:**

Commission revenues and related clearing expenses are recorded on a trade-date basis. Fees, consisting principally of revenue participation with the Company's clearing broker in distribution fees and interest, are recorded as earned.

Investment banking revenue includes gains and fees, net of syndicate expenses, arising from underwriting syndicates in which the Company participates. Investment banking management fees are recorded on the offering date, sales concessions on the settlement date and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

Trading profits are also recorded on a trade-date basis.

Interest is recorded on an accrual basis and dividends are recorded on the ex-dividend date.

F-7

---

**Note A - Summary Of Significant Accounting Policies (CONTINUED)**

**[11] Stock-Based Compensation:**

Share-based payments to employees, including grants of employee stock options, are recognized in the statement of operations as an operating expense, based on their fair values on the grant date.

Share-based compensation costs are recognized on a straight-line basis over the requisite service periods of awards which would normally be the vesting period of the options.

Cash flows resulting from the tax benefits of the tax deduction in excess of the compensation cost recognized for these options are classified as financing cash flows.

**[12] Intangibles:**

Purchased intangibles which have finite useful lives are principally being amortized using the straight-line method over estimated useful lives of three to five years (see Note D). Domain names and other intellectual property which are deemed to have an indefinite useful life are not amortized but are tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset might be impaired. The impairment test for indefinite-lived intangibles consists of a comparison of their fair value with their carrying amount.

**[13] Valuation of Long-Lived Assets:**

The Company evaluates the recoverability of its long-lived assets including amortizable intangibles and recognizes an impairment loss in the event the carrying value of these assets exceeds the estimated future undiscounted cash flows attributable to these assets. The Company assesses potential impairment to its long-lived assets when events or changes in circumstances indicate that its carrying value may not be recoverable. Should impairment exist, the impairment loss would be measured based on the excess of the carrying value of the assets over their fair value.

**[14] New Accounting Standards:**

In June 2009, the Financial Accounting Standards Board ( FASB ) finalized guidance in determining whether an enterprise has a controlling financial interest in a variable interest entity. This determination identifies the primary beneficiary of a variable interest entity as the enterprise that has both the power to direct the activities of a variable interest entity that most significantly impacts the entity's economic performance, and the obligation to absorb losses or the right to receive benefits of the entity that could potentially be significant to the variable interest entity. This guidance also requires ongoing reassessments of whether an enterprise is the primary beneficiary and eliminates the quantitative approach previously required for determining the primary beneficiary. New provisions of this guidance were effective January 1, 2010. The adoption of the new guidance did not have any impact on the Company's financial statements.

In June 2009, the FASB issued guidance to improve transparency about transfers of financial assets and a transferor's continuing involvement, if any, with transferred financial assets. This guidance removes the concept of a qualifying special-purpose entity and removes the exception from applying previous guidance to variable interest entities that are qualifying special-purpose entities; limits the circumstances in which a transferor derecognizes a portion or component of a financial asset; defines a participating interest; requires a transferor to recognize and initially measure at fair value all assets obtained and liabilities incurred as a result of a transfer accounted for as a sale; and requires enhanced disclosures. This guidance was adopted by the Company beginning January 1, 2010 and did not have any impact on the Company's financial statements.

In January 2010, the FASB issued guidance that requires some new disclosures and clarifies some existing disclosure requirements about fair value measurements which is effective for interim and annual reporting periods beginning after December 15, 2009. The guidance was adopted by the Company as of January 1, 2010 and did not have any impact on the Company's disclosures. Additionally, these amended standards require presentation of disaggregated activity within the reconciliation for fair value measurements using significant unobservable inputs (Level 3) and is effective for fiscal years beginning after December 15, 2010. The guidance was adopted by the Company on January 1, 2011 and did not have any impact on its disclosures.

In May 2011, the FASB issued guidance to expand disclosures for Level 3 measurements based on unobservable inputs. The guidance is effective for fiscal years beginning after December 15, 2011. The Company will adopt this standard in January 2012, and does not expect the adoption of this standard to have a material impact on the Company's disclosures.

Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

**Note B - Investment In Affiliates**

Investment in and advances to, equity in income of, and distributions received from, affiliates consist of the following:

<b>December 31, 2011</b>	<b>SBS</b>	<b>SBSFPC</b>	<b>TOTAL</b>
Investment and advances	\$ 8,295,000	\$ 324,000	\$ 8,619,000
Income from equity investees	\$ 8,000	\$ 21,000	\$ 29,000
Distributions	\$ 1,185,000	\$	\$ 1,185,000

<b>December 31, 2010</b>	<b>SBS</b>	<b>SBSFPC</b>	<b>TOTAL</b>
Investment and advances	\$ 9,512,000	\$ 304,000	\$ 9,816,000
Income (loss) from equity investees	\$ 4,102,000	\$ (24,000)	\$ 4,078,000
Distributions	\$ 3,344,000	\$ 2,000	\$ 3,346,000

<b>December 31, 2009</b>	<b>SBS</b>	<b>SBSFPC</b>	<b>TOTAL</b>
Income (loss) from equity investees	\$ 4,287,000	\$ (63,000)	\$ 4,224,000
Distributions	\$ 1,539,000	\$	\$ 1,539,000

Siebert and two individuals (the Principals ) formed SBS to succeed to the tax-exempt underwriting business of the Siebert Brandford Shank division of Siebert. The agreements with the Principals provide that profits will be shared 51% to the Principals and 49% to Siebert.

Pursuant to the terms of the Operating Agreement, Financial and each of the Principals own a 33.33% initial interest in SBSFPC which engages in derivatives transactions related to the municipal underwriting business. The Operating Agreement provides that income/(loss) be shared 66.66% by the Principals and 33.33% by Financial.

Summarized financial data of SBS is as follows:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Total assets, including secured demand note of 1,200,000 in each year due from Siebert	\$ 31,403,000	\$ 37,741,000	
Total liabilities, including subordinated liabilities \$1,200,000 in each year due to Siebert	14,592,000	18,530,000	
Total members capital	16,811,000	19,211,000	
Regulatory minimum net capital requirement	493,000	1,122,000	
Total revenue	26,441,000	48,769,000	\$ 45,391,000
Net income	17,000	8,372,000	8,749,000

During 2011, 2010 and 2009, Siebert charged SBS \$75,000 for each year, respectively for general and administrative services, which Siebert believes approximates the cost of furnishing such services. In addition, during each of the years 2011, 2010 and 2009, Siebert earned interest income of \$48,000 from SBS in connection with Siebert's obligation to make a subordinated loan for up to \$1,200,000 available to SBS and Siebert paid SBS interest earned on the restricted cash equivalents of \$4,000, \$4,000 and \$10,000, respectively (see Note I). Further, on November 1, 2010, Siebert entered into a temporary subordinated loan agreement with SBS in the amount of \$10 million bearing interest at 2% and maturing on December 15, 2010. The note was repaid in December 2010 and interest received from SBS amounted to \$25,000.

## Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

Siebert's share of undistributed earnings from SBS amounted to \$7,845,000 and \$9,021,000 at December 31, 2011 and 2010, respectively. Such amounts may not be immediately available for distribution to Siebert for various reasons including the amount of SBS's available cash, the provisions of the agreement between Siebert and the Principals and SBS's continued compliance with its regulatory net capital requirements.

Summarized financial data of SBSFPC is as follows:

	2011	2010	2009
Total assets	\$ 238,290,000	\$ 165,308,000	
Total liabilities	237,317,000	164,396,000	
Total members' capital	974,000	913,000	
Total revenue	610,000	124,000	\$ 23,000
Net income (loss)	61,000	(72,000)	(188,000)

F-9

---

## Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

At December 31, 2011 and 2010, SBSFPC had an accumulated loss of \$226,000 and \$287,000, respectively of which Siebert's share was \$75,000 and \$96,000, respectively.

### Note C - Furniture, Equipment And Leasehold Improvements, Net

Furniture, equipment and leasehold improvements consist of the following:

	December 31,	
	2011	2010
Equipment	\$ 2,307,000	\$ 2,524,000
Leasehold improvements	29,000	36,000
Furniture and fixtures	23,000	28,000
	2,359,000	2,588,000
Less accumulated depreciation and amortization	(1,602,000)	(1,342,000)
	\$ 757,000	\$ 1,246,000

Depreciation and amortization expense for the years ended December 31, 2011, 2010 and 2009 amounted to \$510,000, \$523,000 and \$457,000, respectively.

### Note D - Intangible Assets

In 2000, WFN acquired the stock of WFN Women's Financial Network, Inc. (WFNI) and HerDollar.com, Inc., respectively, companies in the development stage which had yet to commence principal operations, had no significant revenue and had assets consisting principally of websites, content and domain names, for aggregate consideration of \$2,310,000, including costs. The transactions have been accounted for as purchases of assets consisting of domain name, website and content, and a non-compete agreement (the Acquired Intangible Assets). Related deferred tax assets attributable to net operating loss carryforwards of the acquired companies and deferred tax liabilities attributable to the excess of the statement bases of the acquired assets over their tax bases have been reflected in the accompanying consolidated financial statements as an adjustment to the carrying amount of such intangibles (see Note E).

Intangible assets consist of the following:

	December 31, 2011		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Amortization Accumulated
Amortizable assets:				
Website, content and non-compete	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000	\$ 1,850,000
Retail brokerage accounts	2,638,000	2,600,000	2,638,000	2,590,000
	\$ 4,488,000	\$ 4,450,000	\$ 4,488,000	\$ 4,440,000
Unamortized intangible assets:				
Domain name/intellectual property	\$ 600,000		\$ 600,000	
Amortization expense		\$ 10,000		\$ 2,000

## Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

During 2010, the Company recorded an impairment charge and wrote down the carrying value of its unamortized intangible assets by \$150,000 representing the excess of carrying value over its fair value. Such write down was due to a continuing decline in the Company's revenue. The Company valued the domain name using the income approach methodology known as the relief from royalty method. The premise behind the valuation of these assets is that a buyer would be willing to pay a royalty for the right to use an established or recognized trade name in order to gain market acceptance, which a product or service otherwise might not enjoy.

F-10

---

Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

**Note E - Income Taxes**

The Company files a consolidated federal income tax return with its subsidiaries.

Income tax expense (benefit) provision consists of the following:

	Year Ended December 31,		
	2011	2010	2009
<b>Federal income tax provision (benefit):</b>			
Current	\$	\$ 286,000	\$ (656,000)
Deferred		731,000	85,000
		1,017,000	(571,000)
<b>State and local:</b>			
Current	23,000		(486,000)
Deferred		592,000	(260,000)
	23,000	592,000	(746,000)
<b>Total:</b>			
Current	23,000	286,000	(1,142,000)
Deferred		1,323,000	(175,000)
	\$ 23,000	\$ 1,609,000	\$ (1,317,000)

A reconciliation between the income tax expense (benefit) and income taxes computed by applying the statutory Federal income tax rate to loss before income taxes is as follows:

	Year Ended December 31,		
	2011	2010	2009
Expected income tax benefit at statutory Federal tax rate (34%)	\$ (1,812,000)	\$ (351,000)	\$ (850,000)
State and local taxes, net of Federal tax effect	(406,000)	(67,000)	(163,000)
Reversal of overaccrual of prior years taxes			(330,000)
Increase in valuation allowance	2,177,000	1,980,000	
Permanent difference	36,000	47,000	51,000
Other	28,000		(25,000)
Income tax expense (benefit)	\$ 23,000	\$ 1,609,000	\$ (1,317,000)

**Note E - Income Taxes (Continued)**

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and their tax basis. The principal items giving rise to deferred tax assets (liabilities) are as follows:

	December 31,	
	2011	2010
Deferred tax asset:		
Net operating loss carryforwards	\$ 3,060,000	\$ 1,592,000
Employee stock based compensation	231,000	234,000
Retail brokerage accounts	430,000	515,000
Contribution carryover	252,000	162,000
Furniture, equipment and leasehold improvements	68,000	
Accrued expenses	400,000	
Accrued compensation and other	59,000	47,000
	4,500,000	2,550,000
Valuation allowance	(4,260,000)	(2,083,000)
	240,000	467,000
Deferred tax liability:		
Acquired intangible assets	(240,000)	(243,000)
Furniture, equipment and leasehold improvements		(224,000)
	\$ 0	\$ 0

Due to cumulative losses incurred by the Company during the current and prior two years, the Company is unable to conclude that it is more likely than not that it will realize its net deferred tax asset and, accordingly, has recorded a valuation allowance to fully offset its deferred tax asset at December 31, 2011 and 2010.

At December 31, 2011, the Company has state net operating loss carryforwards aggregating \$13.6 million, which expire through 2031 in various states. In addition, the Company has federal net operating loss carryforwards of \$5.7 million at December 31, 2011, which expire through 2031. The Company also has additional federal net operating loss carryforwards of \$775,000 at December 31, 2011 which is attributable to WFN and expires through 2020. Utilization of WFN's federal net operating loss carryforwards is subject to annual limitations under Section 382 of the Internal Revenue Code.

The Company applied the more-likely-than not recognition threshold to all tax positions taken or expected to be taken in a tax return which resulted in no unrecognized tax benefits reflected in the financial statements as of December 31, 2011. The Company classifies interest and penalties that would accrue according to the provisions of relevant tax law as income taxes.

For federal and certain state and local jurisdictions, the 2008 through 2011 tax years remain open for examination by the taxing authorities. For other states the 2007 through 2011 tax years remain open for examination. The Company is currently under tax examinations by New York State for the years 2007 to 2009.

**Note F - Stockholders' Equity**

Siebert is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. Siebert has elected to use the alternative method, permitted by the rule, which requires that Siebert maintain minimum net capital, as defined, equal to the greater of \$250,000 or 2 percent of aggregate debit balances arising from customer transactions, as defined. The Net Capital Rule of the New York Stock Exchange also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate debits. At December 31, 2011 and 2010, Siebert had net capital of approximately \$17,814,000 and \$20,352,000, respectively, as compared with net capital requirements of \$250,000. Siebert claims exemption from the reserve requirement under Section 15c3-3(k)(2)(ii).

## Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

On January 23, 2008, the Board of Directors of the Company authorized a buy back of up to 300,000 shares of common stock. Shares will be purchased from time to time in the open market and in private transactions. During 2009, 2010 and 2011, the Company repurchased 16,790, 62,647 and 17,179 shares of common stock at an average price of \$1.99, \$2.10 and \$1.68, respectively.

F-12

---

**Note G - Options**

The Company's 2007 Long-Term Incentive Plan (the "Plan") authorizes the grant of options to purchase up to an aggregate of 2,000,000 shares, subject to adjustment in certain circumstances. Both non-qualified options and options intended to qualify as Incentive Stock Options under Section 422 of the Internal Revenue Code may be granted under the Plan. A Stock Option Committee of the Board of Directors administers the Plan. The committee has the authority to determine when options are granted, the term during which an option may be exercised (provided no option has a term exceeding 10 years), the exercise price and the exercise period. The exercise price shall not be less than the fair market value on the date of grant. No option may be granted under the Plan after December 2017. Generally, employee options vest 20% per year for five years and expire ten years from the date of grant. At December 31, 2011, options for 1,700,000 shares of common stock are available for grant under the Plan.

A summary of the Company's stock option transactions for the three years ended December 31, 2011 is presented below:

	2011		2010		2009	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding - beginning of the year	1,503,200	\$ 4.14	1,719,700	\$ 4.00	1,767,200	\$ 4.07
Forfeited	(275,000)	\$ 5.33	(216,500)	\$ 2.98	(47,500)	\$ 6.91
Outstanding - end of year	(a) 1,228,200	\$ 3.88	1,503,200	\$ 4.14	1,719,700	\$ 4.00
Fully vested at year end	(a) 1,228,200	\$ 3.88				
Exercisable at end of year	(a) 1,228,200	\$ 3.88	1,498,200	\$ 4.15	1,709,700	\$ 4.00

(a) Weighted average remaining contractual terms of one year and no aggregate intrinsic value. As of December 31, 2011, there was no unrecognized compensation cost.

**Note H - New Clearing Agreement**

As part of the negotiations with one of the Company's clearing brokers on a fully disclosed clearing agreement which was entered into on May 5, 2010, the Company resolved at \$3 million the amount due to the Company from the clearing firm on past transactions cleared by the Company. This amount is included in commissions and fees revenue for the year ended December 31, 2010.

**Note I - Commitments, Contingencies And Other**

Retail customer transactions are cleared through clearing brokers on a fully disclosed basis. If customers do not fulfill their contractual obligations, the clearing broker may charge Siebert for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy the customer obligations. Siebert regularly monitors the activity in its customer accounts for compliance with its margin requirements. Siebert is exposed to the risk of loss on unsettled customer transactions if customers are unable to fulfill their contractual obligations. There were no material losses for unsettled customer transactions in 2011, 2010 or 2009.

In a prior year, Siebert had been named as one of the defendants in a class action pending in the United States District Court, Southern District of New York. Among other claims, the third amended complaint in the action asserted on behalf of a class of purchasers in a public offering of \$1,500,000,000, 6.75% Subordinated Notes due 2017 (the "Notes"), issued by Lehman Brothers Holdings, Inc., (LBHI) and certain smaller issuances of other securities that Siebert and other underwriters of the Notes violated Section 11 of the Securities Act of 1933, and other applicable law in that relevant offering materials were false and misleading. Siebert had purchased \$15 million of the Notes and \$462,953 of other securities as an underwriter in the offerings. Siebert and other underwriters moved to dismiss the third amended complaint on various grounds. The Court granted in part and denied in part the motion by an order dated July 27, 2011. On November 3, 2011, Siebert and the

Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

plaintiffs class agreed to resolve all claims against Siebert in consideration of a \$1 million payment by Siebert. The settlement is subject to court approval. As of December 31, 2011, the Company had accrued a \$1 million provision for loss to reflect the settlement. As certain defendants did not agree to a settlement, additional liability to the Company is possible. At present, the Company is uncertain as to the potential liability, if any, in connection with the non-settling defendants.

F-13

---

**Note I - Commitments, Contingencies And Other (continued)**

Siebert is party to certain claims, suits and complaints arising in the ordinary course of business including individual actions related to various offerings of notes by LBHI. In the opinion of management, all such claims, suits and complaints are without merit, or involve amounts which would not have a significant effect on the financial position or results of operations of the Company.

The Company rents discount retail brokerage and other office space under long-term operating leases expiring in various periods through 2013. These leases call for base rent plus escalations for taxes and operating expenses.

Future minimum base rental payments under these operating leases are as follows:

Year Ending December 31,	Amount
2012	642,000
2013	68,000
	<b>\$ 710,000</b>

Rent expense, including escalations for operating costs, amounted to approximately \$1,095,000, \$1,274,000 and \$1,279,000 for the years ended December 31, 2011, 2010 and 2009, respectively. Rent is being charged to expense over the entire lease term on a straight-line basis.

Siebert 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. Siebert may also make discretionary contributions to the plan. No contributions were made by Siebert in 2011, 2010 and 2009.

Siebert is party to a Secured Demand Note Collateral Agreement with SBS which obligates Siebert to lend SBS, on a subordinated basis, up to \$1,200,000. The secured demand note payable held by SBS and a related \$1,200,000 receivable due from SBS are included in investments in and advances to equity investees in the accompanying consolidated statement of financial condition. Amounts that Siebert is obligated to lend under this arrangement are collateralized by cash equivalents of \$1,532,000. Any amounts loaned will bear interest at 4% per annum and are repayable on August 31, 2013.

**Note J - Summarized Quarterly Financial Data (Unaudited)**

	2011				2010			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	\$ 5,503,000	\$ 4,498,000	\$ 5,857,000	\$ 4,341,000	\$ 4,313,000	\$ 7,396,000	\$ 3,742,000	\$ 5,319,000
Net (loss) income	\$ (2,004,000)	\$ (1,790,000)	\$ (591,000)	\$ (994,000)	\$ (1,194,000)	\$ 782,000	\$ (3,558,000)	\$ 1,330,000
Earnings (loss) per share:								
Basic	\$ (0.09)	\$ (0.08)	\$ (0.03)	\$ (0.04)	\$ (0.05)	\$ 0.04	\$ (0.16)	\$ 0.06
Diluted	\$ (0.09)	\$ (0.08)	\$ (0.03)	\$ (0.04)	\$ (0.05)	\$ 0.04	\$ (0.16)	\$ 0.06

F-14

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Managers  
Siebert, Brandford, Shank & Co., L.L.C.  
New York, New York

We have audited the accompanying statements of financial condition of Siebert, Brandford, Shank & Co., L.L.C. (the Company) as of December 31, 2011 and 2010, and the related statements of operations, changes in members' capital, changes in subordinated borrowings and cash flows for each of the years in the three-year period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Siebert, Brandford, Shank & Co., L.L.C. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

/s/ EisnerAmper LLP  
New York, New York  
February 28, 2012

## SIEBERT, BRANDFORD, SHANK &amp; CO., L.L.C.

## Statements of Financial Condition

	December 31,	
	2011	2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 27,881,153	\$ 19,859,779
Accounts receivable	218,522	2,478,545
Securities owned, at fair value		11,816,604
Due from broker	3,125	
Receivable from affiliate	33,595	25,354
Secured demand note	1,200,000	1,200,000
Furniture, equipment and leasehold improvements, net	1,227,240	1,418,348
Other assets	839,561	942,464
	<b>\$ 31,403,196</b>	<b>\$ 37,741,094</b>
<b>LIABILITIES AND MEMBERS CAPITAL</b>		
Liabilities:		
Payable to affiliate	\$ 52,436	\$ 93,627
Due to broker		505,605
Accounts payable and accrued expenses	6,652,981	15,989,159
Deferred rent	686,663	741,551
	<b>7,392,080</b>	<b>17,329,942</b>
Subordinated debt	7,200,000	1,200,000
Total liabilities	<b>14,592,080</b>	<b>18,529,942</b>
Members capital	<b>16,811,116</b>	<b>19,211,152</b>
	<b>\$ 31,403,196</b>	<b>\$ 37,741,094</b>

*See notes to financial statements*

## SIEBERT, BRANDFORD, SHANK &amp; CO., L.L.C.

## Statements of Operations

	December 31,		
	2011	2010	2009
<b>Revenues:</b>			
Investment banking	\$ 20,625,468	\$ 41,275,623	\$ 36,666,383
Trading profits	5,811,327	7,488,092	8,672,233
Interest and other	4,278	5,429	52,765
	<b>26,441,073</b>	48,769,144	45,391,381
<b>Expenses:</b>			
Employee compensation and benefits	19,878,202	33,076,985	30,660,150
Clearing fees	142,648	194,957	235,091
Communications	940,907	880,792	772,021
Occupancy	1,065,030	1,020,409	757,778
Professional fees	623,415	680,673	344,838
Interest - related party	59,290	73,000	48,000
State and local income tax	120,907	435,187	225,363
General and administrative	3,593,466	4,035,029	3,599,343
	<b>26,423,865</b>	40,397,032	36,642,584
<b>Net income</b>	<b>\$ 17,208</b>	<b>\$ 8,372,112</b>	<b>\$ 8,748,797</b>

*See notes to financial statements*

**SIEBERT, BRANDFORD, SHANK & CO., L.L.C.**

**Statements of Changes in Members Capital**

<b>Balance - January 1, 2009</b>	<b>\$ 12,055,310</b>
Distributions to members	(3,140,888)
Net income	8,748,797
<b>Balance - December 31, 2009</b>	<b>17,663,219</b>
Distributions to members	(6,824,179)
Net income	8,372,112
<b>Balance - December 31, 2010</b>	<b>19,211,152</b>
Distributions to members	(2,417,244)
Net income	17,208
<b>Balance - December 31, 2011</b>	<b>\$ 16,811,116</b>

*See notes to financial statements*

**SIEBERT, BRANDFORD, SHANK & CO., L.L.C.**

**Statements of Changes in Subordinated Borrowings**

<b>Balance - January 1, 2009</b>	\$ 1,200,000
Borrowings	
Repayments	
<b>Balance - December 31, 2009</b>	1,200,000
Borrowings	10,000,000
Repayments	(10,000,000)
<b>Balance - December 31, 2010</b>	1,200,000
Borrowings	6,000,000
Repayments	
<b>Balance - December 31, 2011</b>	<b>\$ 7,200,000</b>

*See notes to financial statements*

## SIEBERT, BRANDFORD, SHANK &amp; CO., L.L.C.

## Statements of Cash Flows

	December 31,		
	2011	2010	2009
<b>Cash flows from operating activities:</b>			
Net income	\$ 17,208	\$ 8,372,112	\$ 8,748,797
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	256,161	237,045	99,962
Changes in:			
Accounts receivable	2,260,023	(142,013)	(920,947)
Due to/from broker	(508,730)	1,948,895	2,324,508
Securities owned, at fair value	11,816,604	(11,816,604)	161,873
Other receivable		491,441	
Other assets	102,903	107,658	(448,440)
Payable to (receivable from) affiliate	(49,432)	43,429	(97,690)
Accounts payable and accrued expenses	(9,336,178)	(623,750)	8,514,989
Deferred rent	(54,888)	250,110	
Net cash provided by (used in) operating activities	4,503,671	(1,131,677)	18,383,052
<b>Cash flows from investing activities:</b>			
Purchase of leasehold improvements and equipment	(65,053)	(381,046)	(1,175,059)
<b>Cash flows from financing activities:</b>			
Distributions to members	(2,417,244)	(6,824,179)	(3,140,888)
Subordinated borrowings	6,000,000	10,000,000	
Subordinated repayments		(10,000,000)	
Net cash provided by (used in) financing activities	3,582,756	(6,824,179)	(3,140,888)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,021,374</b>	<b>(8,336,902)</b>	<b>14,067,105</b>
Cash and cash equivalents - beginning of year	19,859,779	28,196,681	14,129,576
<b>Cash and cash equivalents - end of year</b>	<b>\$ 27,881,153</b>	<b>\$ 19,859,779</b>	<b>\$ 28,196,681</b>
<b>Supplemental disclosures of cash flow information:</b>			
Taxes paid	\$ 154,726	\$ 404,483	\$ 231,230
Interest paid	\$ 48,000	\$ 73,000	\$ 48,000
<b>Non-cash investing activity:</b>			
Receivable from landlord for reimbursement of leasehold improvements and corresponding deferred rent liability			\$ 491,441

See notes to financial statements

**SIEBERT, BRANDFORD, SHANK & CO., L.L.C.**

**Notes to Financial Statements  
December 31, 2011, 2010 and 2009**

**Note A - Organization and Summary of Significant Accounting Policies**

**[1] Organization:**

Siebert, Brandford, Shank & Co., L.L.C. ( SBS or the Company ) engages in the business of tax-exempt underwriting and related trading activities. The Company qualifies as a Minority and Women Owned Business Enterprise in certain municipalities.

**[2] Investment banking:**

Investment banking revenues include gains and fees, net of syndicate expenses, arising primarily from municipal bond offerings in which the Company acts as an underwriter or agent. Investment banking management fees are recorded on the offering date, sales concessions on the settlement date, and underwriting fees at the time the underwriting is completed and the income is reasonably determinable.

**[3] Cash equivalents:**

Cash equivalents represent short-term, highly liquid investments which are readily convertible to cash and have maturities of three months or less at time of purchase. Cash equivalents, which are valued at fair value, consist of money market funds which amounted to \$27,881,153 and \$19,845,425 at December 31, 2011 and 2010, respectively.

**[4] Investments:**

Security transactions are recorded on a trade-date basis. Securities owned are valued at fair value. The resulting realized and unrealized gains and losses are reflected as trading profits.

Dividends are recorded on the ex-dividend date, and interest income is recognized on an accrual basis.

**[5] Fair value:**

Authoritative accounting guidance defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels:

- |         |   |
|---------|---|
| Level 1 | Unadjusted quoted prices in active markets for identical assets or liabilities.   |
| Level 2 | Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available.  |
| Level 3 | Unobservable inputs reflect the assumptions that the managing members develop based on available information about the assumptions market participants would use in valuing the asset or liability. |

## SIEBERT, BRANDFORD, SHANK &amp; CO., L.L.C.

Notes to Financial Statements  
December 31, 2011, 2010 and 2009

## Note A - Organization and Summary of Significant Accounting Policies (CONTINUED)

The classification of financial instruments valued at fair value as of December 31, 2011 and 2010 is as follows:

	December 31, 2011		
	Level 1	Level 2	Total
Cash equivalents	\$ 27,881,153		\$ 27,881,153
	December 31, 2010		
	Level 1	Level 2	Total
Cash equivalents	\$ 19,845,425		\$ 19,845,425
Municipal bonds		\$ 11,816,604	\$ 11,816,604

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

**[6] 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 five years. Leasehold improvements are amortized over the period of the lease.

**[7] Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**[8] Income taxes:**

The Company is not subject to federal income taxes. Instead, the members are required to include in their income tax returns their respective share of the Company's income. The Company is subject to tax in certain state and local jurisdictions. Deferred taxes are not significant.

**SIEBERT, BRANDFORD, SHANK & CO., L.L.C.****Notes to Financial Statements  
December 31, 2011, 2010 and 2009****Note B - Subordinated Borrowings and Secured Demand Note Receivable**

The subordinated debt consists of the following:

	December 31,	
	2011	2010
Payable to member (a)	\$ 1,200,000	\$ 1,200,000
Payable to clearing broker (b)	6,000,000	
	\$ 7,200,000	\$ 1,200,000

- (a) Consists of a Secured Demand Note Collateral Agreement payable to Muriel Siebert & Co., Inc. ( Siebert ), a member of the Company, in the amount of \$1,200,000 bearing 4% interest and due August 31, 2013. On November 1, 2010, the Company entered into a temporary subordinated loan agreement with Siebert in the amount of \$10,000,000 bearing interest at 2% and maturing on December 15, 2010. The note was repaid in December 2010. Interest expense paid to Siebert for each of the years ended December 31, 2011, 2010 and 2009 amounted to \$48,000, \$73,000 and \$48,000, respectively.
- (b) On December 14, 2011, the Company entered into a temporary subordinated loan agreement with National Financial Services, its clearing broker, in the amount of \$6,000,000, bearing interest at the federal funds rate plus 4% (4.04% at December 31, 2011) and maturing January 27, 2012. The note was repaid on January 27, 2012. Interest expense accrued in 2011 amounted to approximately \$11,000.

The subordinated borrowings are available in computing net capital under the Securities and Exchange Commission's ( SEC ) Uniform Net Capital Rule. To the extent that such borrowing is required for the Company's continued compliance with minimum net capital requirements, it may not be repaid.

The secured demand note receivable of \$1,200,000 is collateralized by cash equivalents of Siebert of approximately \$1,538,000 at December 31, 2011 and \$1,536,000 at December 31, 2010. Interest earned on the collateral paid by Siebert to SBS amounted to approximately \$2,500, \$3,500 and \$10,000 in 2011, 2010 and 2009, respectively.

**Note C - Furniture, Equipment and Leasehold Improvements, Net**

Furniture, equipment, and leasehold improvements consist of the following:

	December 31,	
	2011	2010
Equipment	\$ 821,463	\$ 788,635
Furniture and leasehold improvements	1,623,513	1,591,288
	2,444,976	2,379,923
Less accumulated depreciation and amortization	1,217,736	961,575

\$ 1,227,240 \$ 1,418,348

F-23

---

**SIEBERT, BRANDFORD, SHANK & CO., L.L.C.****Notes to Financial Statements  
December 31, 2011, 2010 and 2009****Note D - Net Capital**

The Company is subject to the SEC's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital and that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2011 and 2010, the Company had net capital of \$21,353,097 and \$16,842,830, respectively, which was \$20,860,291 and \$15,721,207, respectively, in excess of its required net capital and its ratio of aggregate indebtedness to net capital was 0.35 and 1.00 to 1, respectively. The Company claims exemption from the reserve requirements under Section 15c-3-3(k)(2)(ii).

**Note E - Commitments**

The Company rents office space under long-term operating leases expiring through 2020. These leases call for base rent plus escalations for property taxes and other operating expenses. Future minimum base rent under these operating leases as of December 31, 2011 are as follows:

Year Ending	Amount
2012	\$ 908,000
2013	806,000
2014	661,000
2015	564,000
2016	479,000
Thereafter	1,497,000
	\$ 4,915,000

Rent expense including taxes and operating expenses for 2011, 2010 and 2009 amounted to \$1,065,030, \$1,020,409 and \$757,778, respectively.

During 2010, the Company purchased leasehold improvements of approximately \$129,000 which were reimbursed by the landlord. The Company recorded such reimbursement as a credit to deferred rent liability. Such amount, along with approximately \$491,000 recorded in 2009 (together an aggregate amount of \$620,000), is being recognized as a reduction of rental expense on a straight-line basis over the term of the lease.

Rent expense is being charged to operations on a straight-line basis resulting in a deferred rent liability which, together with the deferred rent discussed above, amounted to \$686,663 at December 31, 2011 and \$741,551 at December 31, 2010.

**Note F - Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses consist of the following:

	December 31,	
	2011	2010
Accounts payable	\$ 1,488,400	\$ 184,934
Accrued bonus and other employee compensation	5,037,575	15,341,035
Other accrued expenses	127,006	463,190

\$ 6,652,981 \$ 15,989,159

**Note G - Other**

During each of 2011, 2010 and 2009, the Company was charged \$75,000 by Siebert for general and administrative services.

F-24

---

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**SIEBERT FINANCIAL CORP.**

By: /s/ MURIEL F. SIEBERT

Muriel F. Siebert  
Chair, Chief Executive Officer and President

Date: June 12, 2012

---

EXHIBIT INDEX

Exhibit No.	Description Of Document
2.1	Plan and Agreement of Merger between J. Michaels, Inc. ( JMI ) and Muriel Siebert Capital Markets Group, Inc. ( MSCMG ), dated as of April 24, 1996 ( Merger Agreement ) (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
2.2	Amendment No. 1 to Merger Agreement, dated as of June 28, 1996 (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
2.3	Amendment No. 2 to Merger Agreement, dated as of September 30, 1996 (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
2.4	Amendment No. 3 to Merger Agreement, dated as of November 7, 1996 (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
3.1	Certificate of Incorporation of Siebert Financial Corp., formerly known as J. Michaels, Inc. originally filed on April 9, 1934, as amended and restated to date (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the fiscal year ended December 31, 1997)
3.2	By-laws of Siebert Financial Corp. (incorporated by reference to Siebert Financial Corp. s Registration Statement on Form S- 1 (File No. 333-49843) filed with the Securities and Exchange Commission on April 10, 1998)
10.1**	Siebert Financial Corp. 1998 Restricted Stock Award Plan (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the fiscal year ended December 31, 1997)
10.2**	Siebert Financial Corp. 1997 Stock Option Plan (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
10.3	Siebert, Brandford, Shank & Co., LLC Operating Agreement, among Siebert, Brandford, Shank & Co., L.L.C., Muriel Siebert & Co., Inc., Napoleon Brandford III and Suzanne F. Shank, dated as of March 10, 1997 (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
10.4	Services Agreement, between Siebert, Brandford, Shank & Co., L.L.C. and Muriel Siebert & Co., Inc., dated as of March 10, 1997 (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the fiscal year ended December 31, 1996)
10.5	Operating Agreement of SBS Financial Products Company, LLC, dated effective as of April 19, 2005, by and among Siebert Financial Corp., Napoleon Brandford III and Suzanne Shank. (incorporated by reference to Siebert Financial Corp. s Current Report on Form 8-K filed with the Securities and Exchange Commission on May 17, 2005)
10.6**	Siebert Financial Corp. 2007 Long-Term Incentive Plan (incorporated by reference to Siebert Financial Corp. s Registration Statement on Form S-8 (File No. 333-144680) filed with the Securities and Exchange Commission on July 18, 2007)
10.7*	

Edgar Filing: SIEBERT FINANCIAL CORP - Form 10-K/A

Fully Disclosed Clearing Agreement, by and between National Financial Services LLC and Muriel Siebert & Co., Inc. dated May 5, 2010. (incorporated by reference to Siebert Financial Corp. s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 16, 2010)

- 21 Subsidiaries of the registrant (incorporated by reference to Siebert Financial Corp. s Annual Report on Form 10-K for the year ended December 31, 2001)
- 23 Consent of Independent Auditors
- 31.1 Certification of Muriel F. Siebert pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Joseph M. Ramos, Jr. pursuant to Securities Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley act of 2002.
- 32.1 Certification of Muriel F. Siebert of Periodic Financial Report under Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Joseph M. Ramos, Jr. of Periodic Financial Report under Section 906 of the Sarbanes-Oxley Act of 2002

Portions of the indicated document have been afforded confidential treatment and have been filed separately with  
\* the Securities and Exchange Commission pursuant to Rule 24b-2 of the General Rules and Regulations promulgated under the Securities Exchange Act of 1934, as amended.

\*\*Management contract or compensatory plan or arrangement.

---