

The background of the cover features a stylized illustration of a tropical city skyline with palm trees and a body of water. A large, curved, semi-transparent blue shape sweeps across the upper right portion of the image. The Siebert logo is in the top left, and the title 'ANNUAL REPORT 2022' is centered in the middle. The tagline 'BUILDING ON GROWTH' is at the bottom left, and the website 'www.siebert.com' is at the bottom right.

**Siebert**

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

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**Form 10-K**

(Mark One)

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

**For the fiscal year ended: December 31, 2022**

☐ **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**

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**Siebert Financial Corp.**

(Exact name of registrant as specified in its charter)

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

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

535 Fifth Avenue, 4<sup>th</sup> Floor, New York, NY  
(Address of principal executive offices)

10017  
(Zip Code)

(212) 644-2400  
Registrant's telephone number, including area code

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

Title of each class  
**Common Stock - \$0.01 par value**

Trading Symbol(s)  
**SIEB**

Name of each exchange on which registered  
**The Nasdaq Capital Market**

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES ☒ NO ☐

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

Large accelerated filer ☐  
Non-accelerated filer ☒

Accelerated filer ☐  
Smaller reporting company ☒

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

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, 2022), was approximately \$18,035,000.

The number of shares of the registrant's outstanding Common Stock, as of March 20, 2023, was 32,505,329 shares.

Documents Incorporated by Reference: None

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**SIEBERT FINANCIAL CORP.**

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## Forward-Looking Statements

For purposes of this Annual Report on Form 10-K (“Report”), the terms “Siebert,” “Company,” “we,” “us” and “our” refer to Siebert Financial Corp., its wholly-owned and majority-owned subsidiaries collectively, unless the context otherwise requires.

The statements contained throughout this Report, including any documents incorporated by reference, that are not historical facts, including statements about our beliefs and expectations, are “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements preceded by, followed by or that include the words “may,” “could,” “would,” “should,” “believe,” “expect,” “anticipate,” “plan,” “estimate,” “target,” “project,” “intend” and similar words or expressions. In addition, any statements that refer to expectations, projections, or other characterizations of future events or circumstances are forward-looking statements.

These forward-looking statements, which reflect our beliefs, objectives, and expectations as of the date hereof, are based on the best judgement of management. All forward-looking statements speak only as of the date on which they are made. Such forward-looking statements are subject to certain risks, uncertainties and assumptions relating to factors that could cause actual results to differ materially from those anticipated in such statements, including, without limitation, the following: economic, social and political conditions, global economic downturns resulting from extraordinary events; securities industry risks; interest rate risks; liquidity risks; credit risk with clients and counterparties; risk of liability for errors in clearing functions; systemic risk; systems failures, delays and capacity constraints; network security risks; competition; reliance on external service providers; new laws and regulations affecting our business; net capital requirements; extensive regulation, regulatory uncertainties and legal matters; failure to maintain relationships with employees, customers, business partners or governmental entities; the inability to achieve synergies or to implement integration plans and other consequences associated with risks and uncertainties detailed in Part I, Item 1A - Risk Factors of this Form 10-K as well as in our filings with the SEC.

We caution that the foregoing list of factors is not exclusive, and new factors may emerge, or changes to the foregoing factors may occur, that could impact our business. We undertake no obligation to publicly update or revise these statements, whether as a result of new information, future events or otherwise, except to the extent required by the federal securities laws.

# PART I

## ITEM 1. BUSINESS

### Overview of Company

Siebert Financial Corp., together with its subsidiaries, is a diversified financial services firm and provides a full range of brokerage and financial advisory services including securities brokerage, investment advisory and insurance offerings, and corporate stock plan administration solutions. Our firm is characterized by building solid relationships with our clients through exceptional personal service and proven performance. We have a strong legacy and continue to evolve in our approach to take advantage of ever-evolving opportunities in the financial services industry.

We conduct the following lines of business through our wholly-owned and majority-owned subsidiaries:

- Muriel Siebert & Co., Inc. (“MSCO”) provides retail brokerage services. MSCO is a Delaware corporation and broker-dealer registered with the Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 (“Exchange Act”) and the Commodity Exchange Act of 1936, and member of the Financial Industry Regulatory Authority (“FINRA”), the New York Stock Exchange (“NYSE”), the Securities Investor Protection Corporation (“SIPC”), Euroclear, and the National Futures Association (“NFA”).
- Siebert AdvisorNXT, Inc. (“SNXT”) provides investment advisory services. SNXT is a New York corporation registered with the SEC as a Registered Investment Advisor (“RIA”) under the Investment Advisers Act of 1940 (“Advisers Act”).
- Park Wilshire Companies, Inc. (“PW”) provides insurance services. PW is a Texas corporation and licensed insurance agency
- Siebert Technologies, LLC. (“STCH”) provides robo-advisory technology development. STCH is a Nevada limited liability company.
- RISE Financial Services, LLC, (“RISE”) is a Delaware limited liability company and a broker-dealer registered with the SEC and NFA.
- StockCross Digital Solutions, Ltd. (“STXD”) is an inactive subsidiary headquartered in Bermuda.

For purposes of this Annual Report, the terms “Siebert,” “Company,” “we,” “us” and “our” refer to Siebert Financial Corp., MSCO, SNXT, PW, STCH, RISE, and STXD collectively, unless the context otherwise requires.

Our headquarters are located at 535 Fifth Avenue, 4<sup>th</sup> Floor, New York, NY 10017, with primary operations in New Jersey, Florida, and California. Our phone number is (212) 644-2400 and our Internet address is [www.siebert.com](http://www.siebert.com). We have 12 branch offices throughout the U.S. and clients around the world.

As of March 20, 2023, we had 117 full-time employees. Our common stock is registered under Section 12 of the Exchange Act, and we file periodic reports with the SEC, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy and information statements on Schedule 14. The SEC maintains a website ([www.sec.gov](http://www.sec.gov)) that contains reports, proxy and information statements, and other information regarding companies that file documents electronically with the SEC. Our SEC filings are also available through our website at [www.siebert.com](http://www.siebert.com), where investors are able to obtain copies of our public filings free of charge. Our common stock, par value \$.01 per share trades on the Nasdaq Capital Market under the symbol “SIEB.”

### Subsidiaries and Business Offerings

#### **Muriel Siebert & Co., Inc.**

##### *Overview*

MSCO has been providing online and traditional discount brokerage services to clients for over 50 years. MSCO was founded in 1967 by Muriel F. (“Mickie”) Siebert, a trailblazer who was the first woman to own a seat on the NYSE and the first to head one of its member firms. On May 1, 1975, after the federal government banned fixed commissions by brokers, Mickie broke barriers and declared MSCO a discount brokerage firm.

In May 2022, MSCO received approval to expand its clearing services in the U.S. by acting as a correspondent clearing firm for institutional and online broker-dealers, registered investment advisors and other asset managers. Achieving this milestone strengthens our core competencies, diversifies our business, and reinforces our commitment as a strategic partner to our clients.

Today, MSCO offers a wide range of products and services and is the primary subsidiary of Siebert.



## ***Products and Services***

- Self-directed trading
- Market making and fixed income investments
- Stock borrow / stock loan
- Equity compensation plans (Siebert Corporate Services)
- Wealth management / financial advice

## ***Additional Information***

### ***Brokerage and Related Services***

MSCO offers a wide selection of quality investment services, including broker assisted trades and free online self-service features such as real time quotes, market data, and trading tools.

MSCO is a self-clearing broker-dealer and also clears with National Financial Services Corp. (“NFS”), a wholly-owned subsidiary of FMR, LLC.

### ***Securities Finance and Market Making***

We make markets in multiple exchanges and in over 2,000 equity securities and fixed income products. The client service offerings within our Market Making division have evolved with capital markets and different trading strategies. Our strengths include trading experience in domestic markets, enhanced liquidity, and the search for significant price improvement. The ability of our Market Making division to execute large orders continues to be a strategic advantage in supporting the growth of our Corporate Services division.

We operate our Securities Finance Group, a division which consists primarily of our stock borrow / stock loan and related services. Our management team brings decades of securities finance experience and we have seen positive results in recent years and are committed to continue to expand our securities finance operations.

### ***Corporate Services***

We are dedicated to helping publicly traded companies and their employees manage their equity compensation plans. Corporate services is a key component of our business, and we leverage our technology partnerships to create a distinct advantage through FIX connection trading and real-time transaction reporting. Our corporate services offering primarily supports small and mid-cap public companies.

### ***Independent Retail Execution Services***

MSCO and its clearing firms monitor order flow in efforts to ensure that customers are getting the best possible trade executions. All equity orders are routed in a manner intended to afford MSCO’s customers the most favorable terms on all orders. MSCO also offers customers execution services through various market centers for an additional fee, providing customers access to numerous market centers before and after regular market hours. Customers may buy or sell fixed income securities, municipal bonds, corporate bonds, mortgage-backed securities, government sponsored enterprises, unit investment trusts, mutual funds, certificates of deposit, and other securities. These transactions are serviced by MSCO’s registered representatives.

### ***Retail Customer Service***

MSCO believes that its superior customer service enhances its ability to compete with larger brokerage firms and provides retail customers with personal service via access to dedicated customer service personnel for all of its products and services. Customer service personnel, located in MSCO’s branch offices, are cross trained to assist with all clients’ needs for a reliable experience. MSCO uses a variety of customer relationship management systems that enables representatives in any location to review and respond to customers’ requests in a timely manner.

### ***Retirement Accounts***

MSCO offers customers a variety of self-directed retirement accounts. Each IRA, SEP IRA, ROTH IRA, and KEOGH account can be invested in a variety of qualified investments in a consolidated account. MSCO acts as its own custodian for retirement accounts and also utilizes NFS for IRA custody. MSCO offers self-directed retirement accounts and also has registered representatives dedicated

to assisting clients in meeting their retirement goals.

### *Customer Financing*

Customer margin accounts are carried whereby money is lent to customers for a portion of the market value of marginable securities held in the customer's account. Margin loans are collateralized by these securities. Customers also may sell securities short in a margin account, subject to minimum equity and applicable margin requirements, and the availability of such securities to be borrowed. In permitting customers to engage in margin financing, short sale or any other transaction, MSCO assumes the risk of its customers' failure to meet their obligations in the event of adverse changes in the market affect the value of the margined securities positions. MSCO and NFS reserve the right to set margin requirements higher than those established by the Federal Reserve System.

MSCO has established policies with respect to maximum purchase commitments for new customers or customers with inadequate collateral to support a requested purchase. When transactions occur outside normal guidelines, MSCO monitors accounts closely until their payment obligations are completed. If the customer does not meet the required commitments, MSCO takes steps to close out the position and minimize any loss. In the last five years, MSCO has not had any significant losses as a result of customers failing to meet commitments.

### *Information and Communications Systems*

MSCO relies heavily on its data technology platform and the platform provided by its clearing agents. These platforms offer interfaces to MSCO's clearing service providers' computing systems where all customer account records are kept and are accessible through MSCO's data technology platform. MSCO's systems also utilize browser-based access and other types of data communications. MSCO's representatives use NFS systems, by way of MSCO's data technology platform, to perform daily operational functions which include trade entry, trade reporting, clearing-related activities, risk management and account maintenance.

MSCO's data technology platform offers services used in direct relation to customer activities as well as support for corporate use. Some of these services include email and messaging, market data systems and third-party trading systems, business productivity tools and customer relationship management systems. MSCO's data network is designed with redundancies in case a significant business disruption occurs.

To ensure reliability and to conform to regulatory requirements related to business continuity, MSCO maintains backup systems and backup data, leverages cloud-based technology, and has a full-time offsite disaster recovery site to ensure business continuity during a potential wide-spread disruption. However, despite the preventive and protective measures in place, in the event of a wide-spread disruption, MSCO's ability to satisfy the obligations to customers and other securities firms may be significantly hampered or completely disrupted. For more information regarding our business continuity plan, refer to the Business Continuity Statement on our website.

We are consistently enhancing technology for both our customers as well as our internal operations. We are currently in the process of enhancing our retail trading platform to provide a seamless user experience for our customers and streamline our operations.

## **Siebert AdvisorNXT, Inc.**

### *Overview*

SNXT offers customers our proprietary robo-advisory technology that utilizes trading algorithms initially developed by STCH to create our robo-advisor. This technology provides clients with cost-efficient, competitively priced, and automated wealth management solutions intended to maximize portfolio returns based on specific risk tolerance. The platform utilizes Nobel Prize-winning Modern Portfolio Theory ("MPT") to create optimal portfolios for each client. We provide web-based tools to enable clients to monitor and interact with the robo-advisor's automated portfolio manager application. The robo-advisor selects low-cost, well-managed, exchange-traded funds ("ETFs") and exchange-traded notes ("ETNs") that represent the asset classes that provide clients the necessary risk-adjusted exposure given current market conditions. The robo-advisor continuously monitors and periodically rebalances portfolios to address changes in market and economic conditions.

### *Products and Services*

- Managed portfolios
- Separately managed accounts

## **Park Wilshire Companies, Inc.**

## ***Overview***

PW is a full-service insurance agency founded in 2010. Through PW our product offerings include various insurance products such as fixed annuities and property and casualty insurance.

## ***Products and Services***

- Fixed annuities
- Personal insurance
- Property and casualty insurance
- Natural disaster insurance
- Life and disability

## **Siebert Technologies, LLC**

### ***Overview***

STCH is a technology company initially tasked with developing a robo-advisor platform. Through STCH, we expanded our products and services by offering a robo-advisor through SXNT, and we plan to use this subsidiary for future fintech opportunities and products and services.

## **RISE Financial Services, LLC**

During 2021 and 2022, RISE Prime Services, LLC was a prime broker focused on providing institutional quality services to hedge funds and other institutional investors.

## **Reorganization of RISE, Tigress, and Hedge Connection**

In 2021 and 2022, Siebert and RISE engaged in certain transactions with Tigress Holdings, LLC (“Tigress”) and Hedge Connection, Inc. (“Hedge Connection”) to exchange equity, cash, and respective leadership positions. Based upon the strategic direction of these ventures, management of the respective businesses decided to unwind the original transactions with Siebert, RISE, Hedge Connection and Tigress. See Note 3 – Transactions with Tigress and Hedge Connection for further detail on these transactions.

Siebert management is assessing the future strategic direction of RISE, taking into consideration current market conditions, demand trends, and resources.

## **Competition**

We encounter significant competition from full-commission, online and discount brokerage firms, including zero commission firms, as well as from financial institutions, mutual fund sponsors, venture-backed technology and cryptocurrency firms, and other organizations. Although there has been consolidation in the industry in both the online and traditional brokerage business during recent years, we believe that additional competitors such as banks, insurance companies, providers of online financial and information services, and others will continue to be attracted to the brokerage industry. We compete with a wide variety of vendors of financial services for the same customers; however, our success in the financial services industry is a result of our high-quality customer service, responsiveness, products offered, and excellent executions.

## **Cybersecurity**

Cybersecurity presents significant challenges to the business community in general, as well as to the financial services industry. Increasingly, bad actors, both domestically and internationally, attempt to steal personal data and/or interrupt the normal functioning of businesses through accessing individuals’ and companies’ files and equipment connected to the internet. Recently, intruders have become increasingly sophisticated and use deceptive methods to steal funds and personally identifiable information which they either take for their own purposes, release to the internet, or hold for ransom. Regulators are increasingly requiring companies to provide more advanced levels of cybersecurity measures. We continue to maintain systems and ongoing planning measures to prevent any such attack from disrupting our services to clients as well as to prevent any loss of data concerning our clients, their financial affairs, and company-privileged information. We contract cybersecurity consultants as well as other vendors to oversee detection and defense from such attacks. Refer to Item 1A. – Risk Factors for more detail.

## **Regulations**

### **Overview**

The securities industry in the U.S. is subject to extensive regulation under both federal and state laws. The SEC is the federal agency charged with administration of the federal securities laws. MSCO and RISE are registered as broker-dealers with the SEC. MSCO is a member of the NYSE and the FINRA. Much of the regulation of broker-dealers has been delegated to self-regulatory organizations (“SROs”), principally FINRA, which is MSCO’s and RISE’s primary regulator with respect to financial and operational compliance. These SROs adopt rules (subject to approval by the SEC) governing the industry and conduct periodic examinations of broker-dealers. Securities firms are also subject to regulation by state securities authorities in the states in which they do business. MSCO is registered as a broker-dealer in 50 states, the District of Columbia, and Puerto Rico, and RISE is registered as a broker-dealer in 22 states and territories. These regulations affect our business operations and impose capital, client protection, and market conduct requirements.

### **Conduct and Training**

The principal purpose of regulation and discipline of broker-dealers is the protection of customers and the securities markets. The regulations to which broker-dealers are subject cover all aspects of the securities business, including training of personnel, sales methods, trading practices among broker-dealers, uses and safekeeping of customers’ funds and securities, capital structure of securities firms, record keeping, fee arrangements, disclosure to clients, and the conduct of directors, officers and employees. Additional legislation, changes in rules promulgated by the SEC and by SROs or changes in the interpretation or enforcement of existing laws and rules may directly affect the method of operation and profitability of broker-dealers. The SEC, SROs and state securities authorities may conduct administrative proceedings which can result in censure, fine, cease and desist orders or suspension or expulsion of a broker-dealer, its officers or its employees.

### **Dodd-Frank Act of 2010**

As a result of the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010 (“Dodd-Frank”), the adoption of implementing regulations by the federal regulatory agencies, as well as other recent regulatory reforms, we have experienced significant changes in the laws and regulations that apply to us, how we are regulated, and regulatory expectations in the areas of compliance, risk management, corporate governance, operations, capital and liquidity.

### **Regulation Best Interest**

Pursuant to the Dodd-Frank Act, the SEC was charged with considering whether broker-dealers should be subject to a standard of care similar to the fiduciary standard applicable to RIAs. In June 2019, the SEC adopted a package of rulemakings and interpretations related to the provision of advice by broker-dealers and investment advisers, including Regulation Best Interest and Form CRS. Among other things, Regulation Best Interest requires a broker-dealer to act in the best interest of a retail customer when making a recommendation to that customer of any securities transaction or investment strategy involving securities. Form CRS requires that broker-dealers and investment advisers provide retail investors with a brief summary document containing simple, easy-to-understand information about the nature of the relationship between the parties. Regulation Best Interest and Form CRS had a compliance date of June 30, 2020.

Regulation Best Interest Rules have impacted the conduct of our business, especially with respect to our business with our retail clients. The need for enhanced documentation for recommendations of securities transactions to broker-dealer retail clients as well as the increased supervision of sales practices and transactions increased the amount of record-keeping and training for our sales staff. The related new rules and procedures have and may continue to bring increased costs associated with compliance and enhanced technology.

We operate pursuant to Regulation Best Interest Rules and as such, we conducted thorough training of all our employees with respect to the requirements of Regulation Best Interest. Additionally, we created the Regulation Best Interest Rule’s required documents and completed each of the required mailings (both electronic and conventional) prior to the effective date. We believe that the changes made to our business processes resulted in compliance with these new requirements. As business continues to be conducted under the Regulation Best Interest Rules, it is likely that additional changes may be necessary.

## **SIPC**

As a registered broker-dealer and FINRA member organization, MSCO is required by federal law to belong to the SIPC which provides, in the event of the liquidation of a broker-dealer, protection for securities held in customer accounts held by the firm of up to \$500,000 per customer, subject to a limitation of \$250,000 on claims for cash balances. SIPC is principally funded through assessments on registered broker-dealers. MSCO purchased \$50 million additional account protection above SIPC coverage. Equities, bonds, mutual funds and money market funds are included at net asset value for purposes of SIPC protection and the additional protection. Neither SIPC protection nor the additional protection insures against fluctuations in the market value of securities.

## **MSRB**

MSCO is also authorized by the Municipal Securities Rulemaking Board (“MSRB”) to affect transactions in municipal securities on behalf of its customers and has obtained certain additional registrations with the SEC and state regulatory agencies necessary to permit it to engage in certain other activities incidental to its brokerage business.

## **Margin Lending**

Margin lending activities are subject to limitations imposed by regulations of the Federal Reserve System and FINRA. In general, these regulations provide that, in the event of a significant decline in the value of securities collateralizing a margin account, we are required to obtain additional collateral from the borrower or liquidate securities positions. Margin lending arranged by MSCO through third parties is subject to the margin rules of the Board of Governors of the Federal Reserve System and the NYSE. Under such rules, broker-dealers are limited in the amount they may lend in connection with certain purchases and short sales of securities and are also required to impose certain maintenance requirements on the amount of securities and cash held in margin accounts. In addition, those rules and rules of the Chicago Board Options Exchange govern the amount of margin customers must provide and maintain in writing uncovered options.

## **Investment Advisers Act of 1940**

SNXT is registered with the SEC as an investment adviser pursuant to the Advisers Act. The Advisers Act, together with the SEC’s regulations and interpretations thereunder, is a highly prescriptive regulatory statute. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act, ranging from fines and censures to termination of an adviser’s registration and, in the case of willful violations, can refer a matter to the United States Department of Justice for criminal prosecution.

Under the Advisers Act, an investment adviser (whether or not registered under the Advisers Act) owes fiduciary duties to its clients. These duties impose standards, requirements and limitations on, among other things, trading for proprietary, personal and client accounts; allocations of investment opportunities among clients; use of “soft dollar arrangements,” a practice that involves using client brokerage commissions to purchase research or other services that help managers make investment decisions; execution of transactions; and recommendations to clients.

As an RIA, SNXT is subject to additional requirements that cover, among other things, disclosure of information about its business to clients; maintenance of written policies and procedures; maintenance of extensive books and records; restrictions on the types of fees SNXT may charge; custody of client assets; client privacy; advertising; and solicitation of clients. The SEC has legal authority to inspect any investment adviser and typically inspects a RIA periodically to determine whether the adviser is conducting its activities in compliance with (i) applicable laws and regulations, (ii) disclosures made to clients and (iii) adequate systems, policies and procedures reasonably designed to prevent and detect violations.

Section 28(e) of the Exchange Act provides a “safe harbor” to investment managers who use commission dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the manager in the performance of investment decision-making responsibilities. SNXT, as a matter of policy, does not use “soft dollars” and as such, it has no incentive to select or recommend a broker or dealer based on any interest in receiving research or related services. Rather, as a fiduciary, SNXT selects brokers based on its clients’ interests in receiving best execution.

## **Bank Secrecy Act of 1970**

We conduct financial services activities that are subject to the Bank Secrecy Act of 1970 (“BSA”), as amended by the USA PATRIOT Act of 2001 (“PATRIOT Act”), which require financial institutions to develop and implement programs reasonably designed to achieve compliance with these regulations. The BSA and PATRIOT Act include a variety of monitoring, recordkeeping, and reporting requirements (such as currency transaction reporting and suspicious activity reporting) as well as identity verification and client due diligence requirements, which are intended to detect, report and/or prevent money laundering, and the financing of terrorism. In addition,

we are subject to U.S. sanctions programs administered by the Office of Foreign Assets Control.

## **Net Capital**

As registered broker-dealers, MSCO and RISE are subject to the requirements of the Exchange Act relating to broker-dealers such as minimum net capital requirements under the SEC Uniform Net Capital Rule (Rule 15c3-1) and segregation of fully paid client funds and securities under the SEC Customer Protection Rule (Rule 15c3-3), administered by the SEC and FINRA.

Net capital rules are designed to protect clients, counterparties and creditors by requiring a broker-dealer to have sufficient liquid resources available to satisfy its financial obligations. Net capital is a measure of a broker-dealer's readily available liquid assets, reduced by its total liabilities other than approved subordinated debt. Under the SEC Uniform Net Capital Rule, a broker-dealer may not repay any subordinated borrowings, pay cash dividends or make any unsecured advances or loans to its parent company or employees if such payment would result in a net capital amount below required levels. Failure to maintain the required regulatory net capital may subject a firm to suspension or expulsion by the NYSE or FINRA, as well as certain punitive actions by the SEC and other regulatory bodies, which ultimately could require a firm's liquidation.

## **Best Execution**

As explained in SEC guidelines and FINRA rules, brokers are required to seek the "best execution" reasonably available for their clients' orders. In part, this requires brokers to use reasonable diligence so that the price to the client is as favorable as possible under prevailing market conditions. MSCO and RISE send client orders to a number of market centers, including market makers and exchanges, which encourages competition and ensures redundancy. For non-directed client orders, it is our policy to route orders to market centers based on a number of factors that are more fully discussed in the Supplemental Materials of FINRA Rule 5310, including, where applicable, but not necessarily limited to, speed of execution, price improvement opportunities, differences in price dis-improvement, likelihood of executions, the marketability of the order, size guarantees, service levels and support, the reliability of order handling systems, client needs and expectations, transaction costs, and whether the firm will receive remuneration for routing order flow to such market centers. Price improvement is available under certain market conditions and for certain order types and we regularly monitor executions to ensure best execution standards are met.

## **Consumer Financial Information Privacy**

In providing services to clients, we manage, utilize and store sensitive and confidential client data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as U.S. federal and state laws governing the protection of personally identifiable information. These laws and regulations are increasing in complexity and number, change frequently and sometimes conflict. To the extent they are applicable to us, we must comply with federal and state information-related laws and regulations in the United States, including the Gramm-Leach-Bliley Act of 1999, SEC Regulation S-P, the Fair Credit Reporting Act of 1970, as amended, and Regulation S-ID, as well as the California Consumer Protection Act and further potential federal and state requirements.

## **Human Capital**

Our success depends on our ability to attract, hire, retain and develop highly skilled professionals in a variety of specialties, including finance, technology, compliance, business development, cybersecurity and management. Due to the complexity of our business, we compete for talent with other companies, both inside and outside of our industry, and in multiple geographical areas in the U.S.

Our human capital efforts focus on establishing a culture of service that emphasizes taking care of our employees, so they can take care of our clients. To that end, we seek employees who are approachable, proactive, collaborative, agile and innovative, and who share our commitment to excellence, integrity, and service. As of March 20, 2023, we had 117 employees, one of whom was a corporate officer. None of our employees are represented by a union, and we believe that relations with our employees are good.

To maintain a high-caliber, values-driven workforce that is committed to our culture, we strive to offer total rewards, including compensation and benefits that position our company as an employer of choice. We design our compensation to be competitive in the markets in which we compete, and closely monitor industry trends and practices to ensure we are able to attract and retain the personnel who are critical to our success. To support our employees' health and well-being, we offer competitive medical, dental and vision plans as well as other health benefits.

We believe in our employees' potential and provide training and development opportunities intended to maximize their performance and professional growth. We require all of our employees to complete courses in key regulatory areas, such as insider trading and anti-money laundering compliance.



We aim to provide a safe, inclusive environment for our employees, where they feel engaged in our business, supported in who they are and empowered to succeed. We are committed to providing a workplace that is free from violence, harassment and other unsafe or disruptive conditions, and require our personnel to attend regular training sessions and workshops on those topics.

## ITEM 1A. RISK FACTORS

### Regulatory Risks

***Legislation has and may continue to result in changes to rules and regulations applicable to our business, which may negatively impact our business and financial results.***

New laws, rules, regulations and guidance, or changes in the interpretation and enforcement of existing federal, state, foreign and SRO laws, rules, regulations and guidance may directly affect our business and the profitability of Siebert or the operation of specific business lines. In addition, new and changing laws, rules, regulation and guidance could result in limitations on the lines of business we conduct, modifications to our business practices, more stringent capital and liquidity requirements or other costs and could limit our ability to return capital to stockholders.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), enacted in 2010, required many federal agencies to adopt new rules and regulations applicable to the financial services industry and called for many studies regarding various industry practices. In particular, the Dodd-Frank Act gave the SEC discretion to adopt rules regarding standards of conduct for broker-dealers providing investment advice to retail customers.

The rules and interpretations adopted by the SEC in June 2019 include Regulation Best Interest and the new Form CRS Relationship Summary, which are intended to enhance the quality and transparency of retail investors' relationships with broker-dealers and investment advisers. Regulation Best Interest enhances the broker-dealer standard of conduct beyond existing suitability obligations, requiring compliance with disclosure, care, conflict of interest and compliance obligations. The regulation requires that a broker-dealer or natural person who is an associated person of the broker-dealer shall act in the best interest of the retail customer at the time it makes a recommendation of any securities transaction or investment strategy involving securities, prioritizing the interests of the customer above any interests of the broker-dealer or its associated persons. Among other things, this requires the broker-dealer to mitigate conflicts of interest arising from financial incentives in selling securities products.

The new rules and processes related thereto have and will most likely continue to involve increased costs, including, but not limited to, compliance costs associated with new or enhanced technology. In addition to the foregoing laws affecting regulation of our industry, Congress is considering various proposals to increase taxation relating to investments, which may adversely impact the volume of trading and other transactions from which we derive our revenue.

It is not possible to determine the extent of the impact of any new laws, regulations or initiatives that may be imposed, or whether any existing proposals will become law. Conformance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business.

***We are subject to extensive government regulation and to third party litigation risk and regulatory risk which could result in significant liabilities and reputational harm which, in turn, could materially adversely affect our business, results of operations and financial condition.***

Our business is subject to extensive regulation in the U.S., at both the federal and state level. We are also subject to regulation by SROs and other regulatory bodies in the U.S., such as the SEC, the NYSE, FINRA, MSRB, the Commodity Futures Trading Commission ("CFTC") and the NFA. MSCO is registered as a broker-dealer in 50 states, the District of Columbia, and Puerto Rico, and RISE is registered as a broker-dealer in 22 states and territories. The regulations to which MSCO and RISE are subject as broker-dealers cover all aspects of the securities business including training of personnel, sales methods, trading practices, uses and safe keeping of customers' funds and securities, capital structure, record keeping, fee arrangements, disclosure and the conduct of directors, officers and employees.

SNXT is registered as an investment adviser with the SEC under the Advisers Act, and its business is highly regulated. The Advisers Act imposes numerous obligations on RIAs, including fiduciary, record keeping, operational and disclosure obligations. Moreover, the Advisers Act grants broad administrative powers to regulatory agencies such as the SEC to regulate investment advisory businesses. If the SEC or other government agencies believe that SNXT has failed to comply with applicable laws or regulations, these agencies have the power to impose fines, suspensions of a registrant and individual employees or other sanctions, which could include revocation of SNXT's registration under the Advisers Act. SNXT is also subject to the provisions and regulations of ERISA, to the extent that SNXT acts as a "fiduciary" under ERISA with respect to certain of its clients. ERISA and the applicable provisions of the federal tax laws impose a number of duties on persons who are fiduciaries under ERISA and prohibit certain transactions involving the assets of each ERISA plan which is a client, as well as certain transactions by the fiduciaries (and certain other related parties) to such plans. Our subsidiaries, RISE and MSCO, are also regulated by the National Futures Association ("NFA") and function as a registered



introducing broker.

The laws, rules and regulations, as well as governmental policies and accounting principles, governing our business and the financial services and banking industries generally have changed significantly over recent years and are expected to continue to do so. We cannot predict which changes in laws, rules, regulations, governmental policies or accounting principles will be adopted. Any changes in the laws, rules, regulations, governmental policies or accounting principles relating to our business could materially and adversely affect our business, results of operations and financial condition.

Additionally, like other participants in the financial services industry, we and our subsidiaries face the risks of lawsuits by clients and risks of regulatory proceeding against us. The outcome of regulatory proceedings and client lawsuits is uncertain and difficult to predict. An adverse resolution of any regulatory proceeding or client lawsuit against us could result in substantial costs or reputational harm to us. Further, adverse proceedings could have an adverse effect on our ability to retain key registered representatives, investment advisers and wealth managers, and to retain existing clients or attract new clients, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. Refer to Item 3 – Legal Proceedings for additional detail.

***We are subject to net capital requirements.***

The SEC, FINRA, and various other securities and commodities exchanges and other regulatory bodies in the U.S. have rules with respect to net capital requirements which affect us. These rules have the effect of requiring that at least a substantial portion of a broker-dealer's assets be kept in cash or highly liquid investments. Our compliance with the net capital requirements could limit operations that require intensive use of capital, such as underwriting or trading activities. These rules could also restrict our ability to withdraw our capital, even in circumstances where we have more than the minimum amount of required capital, which, in turn, could limit our ability to implement growth strategies. In addition, a change in such rules, or the imposition of new rules, affecting the scope, coverage, calculation or amount of such net capital requirements, or a significant operating loss or any unusually large charge against net capital, could have similar adverse effects.

**Risks Related to Our Technology and Information Systems**

***We rely on information processing and communications systems to process and record our transactions.***

Our operations rely heavily on information processing and communications systems. Our system for processing securities transactions is highly automated. Failure of our information processing or communications systems for a significant period of time could limit our ability to process a large volume of transactions accurately and rapidly. This could cause us to be unable to satisfy our obligations to customers and other securities firms and could result in regulatory violations. External events, such as an earthquake, terrorist attack or power failure, loss of external information feeds, such as security price information, as well as internal malfunctions such as those that could occur during the implementation of system modifications, could render part or all of these systems inoperative.

***We rely on third-party platforms for information and communications systems.***

We rely heavily on our data technology platforms and the platforms provided by our clearing agents. These platforms offer interfaces to our clearing service providers' computing systems where customer account records are kept and are accessible through our data technology platforms. Our systems also utilize browser-based access and other types of data communications.

Our data technology platforms offer services used in direct relation to customer activities as well as support for corporate use. Some of these services include email and messaging, market data systems and third-party trading systems, business productivity tools and customer relationship management systems. Our data network is designed with redundancies in case a significant business disruption occurs.

We also rely on third parties that provide data center facilities, infrastructure, back-office systems for clearance, settlement and accounting, customer relationship management, compliance and risk software and systems, website functionality and access, databases, data center facilities and cloud computing, all of which are critical to our operations. To ensure reliability and to conform to regulatory requirements related to business continuity, we maintain backup systems and backup data, leverage cloud-based technology, and have a full-time offsite disaster recovery site to ensure business continuity during a potential wide-spread disruption. However, despite the preventive and protective measures in place, in the event of a wide-spread disruption of our systems or those of the third-parties upon whom we rely, our ability to satisfy the obligations to customers and other securities firms may be significantly hampered or completely disrupted.

***Failure to protect client data or prevent breaches of our information systems could expose us to liability or reputational damage.***

We are dependent on information technology networks and systems to securely process, transmit and store electronic information and to communicate among our branch offices and with our clients and vendors. As the breadth and complexity of this infrastructure continues to grow, the potential risk of security breaches and cyber-attacks increases. As a financial services company, we are continuously subject to cyber-attacks by third parties. Any such security breach could lead to shutdowns or disruptions of our systems and potential unauthorized disclosure of confidential information. In addition, vulnerabilities of our external service providers and other third parties could pose security risks to client information. The secure transmission of confidential information over public networks is also a critical element of our operations.

In providing services to clients, we manage, utilize and store sensitive and confidential client data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as U.S. federal and state laws governing the protection of personally identifiable information. These laws and regulations are increasing in complexity and number, change frequently and sometimes conflict. If any person, including any of our employees, negligently disregards or intentionally breaches our established controls with respect to client data, or otherwise mismanages or misappropriates that data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution in one or more jurisdictions. Unauthorized disclosure of sensitive or confidential client data, whether through systems failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients. Similarly, unauthorized access to or through our information systems, whether by our employees or third parties, including a cyber-attack by third parties who may deploy viruses, worms or other malicious software programs, could result in negative publicity, significant remediation costs, legal liability, and damage to our reputation and could have a material adverse effect on our results of operations. In addition, our liability insurance might not be sufficient in type or amount to cover us against claims related to security breaches, cyber-attacks and other related breaches.

***We may be exposed to damage to our business or our reputation by cybersecurity breaches.***

As the world becomes more interconnected through the use of the internet and users rely more extensively on the internet and the cloud for the transmission and storage of data, such information becomes more susceptible to incursion by hackers and other parties intent on stealing or destroying data on which we or our customers rely. We face an evolving landscape of cybersecurity threats in which hackers use a complex array of means to perpetrate cyber-attacks, including the use of stolen access credentials, malware, ransomware, phishing, structured query language injection attacks, and distributed denial-of-service attacks, among other means. These cybersecurity incidents have increased in number and severity and it is expected that these trends will continue. Should we be affected by such an incident, we may incur substantial costs and suffer other negative consequences, which may include:

- Remediation costs, such as liability for stolen assets or information, repairs of system damage, and incentives to customers or business partners in an effort to maintain relationships after an attack;
- Increased cybersecurity protection costs, which may include the costs of making organizational changes, deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants;
- Lost revenues resulting from the unauthorized use of proprietary information or the failure to retain or attract customers following an attack;
- Litigation and legal risks, including regulatory actions by state and federal regulators; and
- Loss of reputation.

Increasingly, intruders attempt to steal significant amounts of data, including personally identifiable data and either hold such data for ransom or release it onto the internet, exposing our clients to financial or other harm and thereby significantly increasing our liability in such cases. Our regulators have introduced programs to review our protections against such incidents which, if they determined that our systems do not reasonably protect our clients' assets and their data, could result in enforcement activity and sanctions.

We have and continue to introduce systems and software to prevent any such incidents and review and increase our defenses to such issues through the use of various services, programs and outside vendors. We contract cybersecurity consultants and also review and revise our cybersecurity policy to ensure that it remains up to date. In the event that we experience a material cybersecurity incident or identify a material cybersecurity threat, we will make all reasonable efforts to properly disclose it in a timely fashion. It is impossible, however, for us to know when or if such incidents may arise or the business impact of any such incident.

As a result of such risks, we have and are likely to incur significant costs in preparing our infrastructure and maintaining it to resist any such attacks.

***An increase in volume on our systems or other events could cause them to malfunction.***

Most of our trade orders are received and processed electronically. This method of trading is heavily dependent on the integrity of the electronic systems supporting it. While we have never experienced a significant failure of our trading systems, heavy stress placed on our systems during peak trading times could cause our systems to operate at unacceptably low speeds or fail altogether. Any significant degradation or failure of our systems or the systems of third parties involved in the trading process (e.g., online and internet service providers, record keeping and data processing functions performed by third parties, and third party software), even for a short time, could cause customers to suffer delays in trading. These delays could cause substantial losses for customers and could subject us to claims from these customers for losses. There can be no assurance that our network structure will operate appropriately in the event of a subsystem, component or software failure. In addition, we cannot assure that we will be able to prevent an extended systems failure in the event of a power or telecommunications failure, an earthquake, terrorist attack, fire or any act of God. Any systems failure that causes interruptions in our operations could have a material adverse effect on our business, financial condition and operating results.

***Rapid market or technological changes may render our technology obsolete or decrease the attractiveness of our products and services to our clients.***

We must continue to enhance and improve our technology and electronic services. The electronic financial services industry is characterized by significant structural changes, increasingly complex systems and infrastructures, changes in clients' needs and preferences, and new business models. If new industry standards and practices emerge and our competitors release new technology before us, our existing technology, systems and electronic trading services may become obsolete or our existing business may be harmed.

Our future success will depend on our ability to:

- Enhance our existing products and services;
- Develop and/or license new products and technologies that address the increasingly sophisticated and varied needs of our clients and prospective clients;
- Continue to attract highly-skilled technology personnel; and
- Respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis.

Developing our electronic services, our implementation and utilization of our robo-advisor and other technology entails significant technical and business risks. We may use new technologies ineffectively or we may fail to adapt our electronic trading platform, information databases and network infrastructure to client requirements or emerging industry standards. If we face material delays in introducing new services, products and enhancements, our clients may forego the use of our products and use those of our competitors.

Further, the adoption of new internet, networking or telecommunications technologies may require us to devote substantial resources to modify and adapt our services. We cannot assure that we will be able to successfully implement new technologies or adapt our proprietary technology and transaction-processing systems to client requirements or emerging industry standards. We cannot assure that we will be able to respond in a timely manner to changing market conditions or client requirements.

**Risks Related to Our Business Operations**

***Potential strategic acquisitions and other business growth could increase costs and regulatory and integration risks.***

Acquisitions involve risks that could adversely affect our business. We may pursue acquisitions of businesses and technologies. Acquisitions and other transactions entail numerous risks, including:

- Difficulties in the integration of acquired operations, services and products;
- Failure to achieve expected synergies;
- Diversion of management's attention from other business concerns;
- Assumption of unknown material liabilities of acquired companies;
- Amortization of acquired intangible assets, which could reduce future reported earnings;
- Potential loss of clients or key employees of acquired companies; and
- Dilution to existing stockholders.

As part of our growth strategy, we regularly consider and from time to time engage in discussions and negotiations regarding transactions such as acquisitions, mergers, combinations and partnerships within our industry. The purchase price for possible acquisitions could be paid in cash, through the issuance of our common stock or other securities, borrowings or a combination of these

methods.

Our transactions are typically subject to closing conditions including regulatory approvals and the absence of material adverse changes in the business, operations or financial condition of the entity or part of an entity being acquired or sold. To the extent we enter into an agreement to buy or sell an entity or part of an entity, there can be no guarantee that the transaction will close when expected or at all. If a material transaction does not close our stock price could decline.

We cannot be certain that we will be able to identify, consummate and successfully integrate acquisitions, and no assurance can be given with respect to the timing, likelihood or business effect of any possible transaction. For example, we could begin negotiations that we subsequently decide to suspend or terminate for a variety of reasons. However, opportunities may arise that we will evaluate and any transactions that we consummate would involve risks and uncertainties to us. These risks could cause the failure of any anticipated benefits of an acquisition to be realized, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, management is assessing the future strategic direction of RISE, taking into consideration current market conditions, demand trends, and resources. While we believe our expertise and industry relationships will enable us to execute a new strategic direction, our business plan for RISE is untested, and it is uncertain whether our efforts will attract the customers and revenue necessary to compete in the market.

***We may be unable to realize the anticipated benefits of our cost cutting efforts or it may take longer than anticipated for us to realize any benefits from increased cost efficiencies or economies of scale, if at all.***

Our realization of the benefits anticipated as a result of cost cutting efforts and other business efforts and changes will depend in part on the ability of our management team to implement our business plan. We cannot assure shareholders that there will not be substantial costs associated with these activities or other negative consequences as a result of these changes. These effects include, but are not limited to, incurring unexpected costs or delays in connection with implementation of a modified business model, or the failure of our business to perform as expected, which could harm our results of operations.

***We depend on our ability to attract and retain key personnel.***

We are dependent upon our key personnel for our success and the loss of the services of any of these individuals could significantly harm our business, financial condition and operating results.

***Our customers may fail to pay us.***

A principal credit risk to which we are exposed on a regular basis is that our customers may fail to pay for their purchases or fail to maintain the minimum required collateral for amounts borrowed against securities positions maintained by them. We cannot assure that our practices and/or the policies and procedures we have established will be adequate to prevent a significant credit loss.

***Our advisory services subject us to additional risks.***

We provide investment advisory services to investors. Through our RIA, SNXT, we offer robo-advisory and investment services. The risks associated with these investment advisory activities include those arising from possible conflicts of interest, unsuitable investment recommendations, inadequate due diligence, inadequate disclosure and fraud. Realization of these risks could lead to liability for client losses, regulatory fines, civil penalties and harm to our reputation and business.

***Certain employees, directors and affiliates of RISE and Siebert own equity in RISE Financial Services, LLC***

From January 31, 2022 to the date of this Report, RISE issued and Siebert sold membership interests in RISE to certain employees, directors, and affiliates of RISE and Siebert ranging from 1% to 2% individually. This amount represented, as of the date of this Report, an aggregate of 7% of the total issued and outstanding membership interests in RISE. As of the date of this Report, Gloria E. Gebbia owns approximately 25% of RISE. As a result, the interests of the employees, directors, and affiliates of RISE and Siebert who own equity in RISE may differ from the interests of shareholders of Siebert.

## **Risks Related to Our Common Stock**

***There may be a limited public market for our common stock; Volatility.***

13,198,585 shares of our common stock, or approximately 41% of our shares of our common stock outstanding, are currently

held by non-affiliates as of March 20, 2023. A stock with a small number of shares held by non-affiliates, known as the “float,” will generally be more volatile than a stock with a large float. Although our common stock is traded on the Nasdaq Capital Market, there can be no assurance that an active public market will continue.

***Our principal shareholder has the ability to control key decisions submitted to a vote of our shareholders.***

Gloria E. Gebbia, who is a director of Siebert and the managing member of Kennedy Cabot Acquisition, LLC (“KCA”), has, along with other family members, the power to elect the entire Board of Directors and, except as otherwise provided by law or our Certificate of Incorporation or by-laws, to approve any action requiring shareholder approval without a shareholders meeting.

***Future sales of our common stock in the public market could cause the market price of our common stock to drop significantly, even if our business is doing well.***

Sales of a substantial number of shares of our common stock in the public market, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock and make it more difficult for investors to sell common stock at a time and price that investors deem appropriate.

In addition, on February 18, 2022, we filed a shelf registration statement on Form S-3 that was declared effective on March 2, 2022 by the SEC for the potential offering, issuance and sale by us of up to \$100.0 million, subject to certain limitations, of our common stock, preferred stock, warrants to purchase our common Stock and/or preferred stock, units consisting of all or some of these securities and subscription rights to purchase all or some of these securities. If we sell our common stock, preferred stock, convertible securities and other equity securities in other transactions pursuant to our shelf registration statement on Form S-3, existing investors may be materially diluted by such subsequent sales, new investors could gain rights superior to our existing shareholders and the market price of our common stock may drop significantly.

***The price of our common stock in the public markets has experienced, and may in the future experience, extreme volatility due to a variety of factors, many of which are beyond our control.***

Since our common stock started trading on the Nasdaq Capital Market, our common stock has been relatively thinly traded and at times been subject to price volatility. The average daily trading volume from January 1, 2022 to December 31, 2022 was approximately 25,010 shares.

We believe that the trading price of our common stock has at times been influenced by trading factors other than industry or Company-specific fundamentals, including, without limitation, the sentiment of retail investors (including as may be expressed on financial trading and other social media sites), speculation in the press, in the investment community, or on the internet, including on online forums and social media, about Siebert, our industry or our security’s access to margin debt, trading in options and other derivatives on our common stock, and the amount and status of short interest in our securities (including a “short squeeze”). A “short squeeze” is a technical market condition that occurs when the price of a stock increases substantially, forcing market participants who had taken a position that its price would fall (i.e., who had sold the stock “short”), to buy it, which in turn may create significant, short-term demand for the stock not for fundamental reasons, but rather due to the need for such market participants to acquire the stock in order to forestall the risk of even greater losses. A “short squeeze” condition in the market for a stock can lead to short-term conditions involving very high volatility and trading that may or may not track fundamental valuation models.

As a result of the foregoing, investors in our common stock may be subject to the risk of significant, short-term price volatility of our common stock and the trading price of our common stock could decline for reasons unrelated to our business, financial condition, or results of operations. Further, in the past, following periods of volatility in the overall market and the market price of a particular company’s securities, securities class action litigation has often been instituted against these companies. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management.

***Our future ability to pay dividends to holders of our common stock is subject to the discretion of our Board of Directors and will be limited by our ability to generate sufficient earnings and cash flows.***

Payment of future cash dividends on our common stock will depend on our ability to generate earnings and cash flows. However, sufficient cash may not be available to pay such dividends. Payment of future dividends, if any, will be at the discretion of our Board of Directors and will depend upon a number of factors that the Board of Directors deems relevant, including future earnings, the success of our business activities, capital requirements, the general financial condition and future prospects of our business and general business conditions. If we are unable to generate sufficient earnings and cash flows from our business, we may not be able to pay dividends on our common stock.



Our ability to pay cash dividends on our common stock is also dependent on the ability of our subsidiaries to pay dividends or capital distributions to Siebert. MSCO and RISE are subject to various regulatory requirements relating to liquidity, capital standards and the use of client funds and securities, which may limit funds available for payments to Siebert. The ability of our subsidiaries to pay dividends or capital distributions to Siebert may also be subject to regulatory approval.

## **Risks Related to Our Industry and Market**

### ***Securities market volatility and other securities industry risk could adversely affect our business.***

Most of our revenues are derived from our securities brokerage business. Like other businesses operating in the securities industry, our business is directly affected by volatile trading markets, fluctuations in the volume of market activity, economic and political conditions, upward and downward trends in business and finance at large, legislation and regulation affecting the national and international business and financial communities, currency values, inflation, market conditions, the availability and cost of short-term or long-term funding and capital, the credit capacity or perceived credit-worthiness of the securities industry in the marketplace and the level and volatility of interest rates. We also face risks relating to losses resulting from the ownership of securities, counterparty failure to meet commitments, customer fraud, employee fraud, issuer fraud, errors and misconduct, failures in connection with the processing of securities transactions and litigation. A reduction in our revenues or a loss resulting from our ownership of securities or sales or trading of securities could have a material adverse effect on our business, results of operations and financial condition. In addition, as a result of these risks, our revenues and operating results may be subject to significant fluctuations from quarter to quarter and from year to year.

### ***Interest rate changes could affect our profitability.***

The direction and level of interest rates are important factors in our earnings. Our earnings are affected by the difference between the interest rates earned on interest-earning assets such as loans and investment securities and interest rates paid on interest-bearing liabilities such as deposits and borrowings. Increases in interest rates positively impact our revenue from margin and other interest income, and distribution fees received from money market securities.

As the U.S. economy recovers, aided by stimulus packages and fiscal and monetary policies, inflation has been rising at historically high rates, and the Federal Reserve has signaled that it will continue increasing the target federal funds effective rate. Although we believe we may benefit from a rising interest rate environment, a rise in interest rates may cause our funding costs to increase if market conditions or the competitive environment induces us to raise our interest rates to avoid losing deposits, or replace deposits with higher cost funding sources without offsetting increases in yields on interest-earning assets which can reduce our interest revenue.

### ***A prolonged economic slowdown, volatility in the markets, a recession, and uncertainty in the markets could impair our business and harm our operating results.***

Our businesses are, and will continue to be, susceptible to economic slowdowns, recessions and volatility in the markets, which may lead to financial losses for our customers, and a decrease in revenues and operating results. In addition, global macroeconomic conditions and U.S. financial markets remain vulnerable to the potential risks posed by exogenous shocks, which could include, among other things, political and financial uncertainty in the U.S. and the European Union, renewed concern about China's economy, conflict with Russia and Ukraine, complications involving terrorism and armed conflicts around the world, or other challenges to global trade or travel, such as might occur in the event of a wider pandemic involving COVID-19. More generally, because our business is closely correlated to the macroeconomic outlook, a significant deterioration in that outlook or an exogenous shock would likely have an immediate negative impact on our overall results of operations.

### ***There is intense competition in the brokerage industry.***

We encounter significant competition from full-commission, no commission, online and other discount brokerage firms, as well as from financial institutions, mutual fund sponsors, venture-backed technology and cryptocurrency firms, and other organizations. Over the past several years, price wars and lower or no commission rates in the discount brokerage business in general have strengthened our competitors. In addition, while the decline of commissions has been ongoing for decades, some of our competitors charging zero commissions on trades could potentially have an adverse effect on our commission revenue.

The securities brokerage industry has experienced significant consolidation, which may continue in the future, likely increasing competitive pressures in the industry. Consolidation could enable other firms to offer a broader range of products and services than we do, or offer them on better terms, such as higher interest rates paid on cash held in client accounts. We believe that such changes in the

industry will continue to strengthen existing competitors and attract additional competitors such as banks, insurance companies, providers of online financial and information services, and others. Many of these competitors are larger, more diversified, have greater capital resources, and offer a wider range of services and financial products than we do. We compete with a wide variety of vendors of financial services for the same customers. Many of these competitors conduct extensive marketing campaigns and may have or achieve exceptional market name recognition. We may not be able to compete effectively with current or future competitors with stronger capital position, greater name recognition or who partner or combine with other larger firms.

Some competitors in the discount brokerage business offer services which we may not offer. In addition, some competitors have continued to offer flat rate execution fees that are lower than some of our published rates. Industry-wide changes in trading practices are expected to cause continuing pressure on fees earned by discount brokers for the sale of order flow. Continued or increased competition from ultra-low cost, flat-fee brokers and broader service offerings from other discount brokers could limit our growth or lead to a decline in our customer base which would adversely affect our business, results of operations and financial condition. Further, if we are not able to update or adapt our products and services to take advantage of the latest technologies and standards, or are otherwise unable to offer services to mobile and desktop computing platforms to a growing self-directed investor market, it could have a material adverse effect on our ability to compete.

***Lower price levels in the securities markets may reduce our profitability.***

Lower price levels of securities may result in (i) reduced volumes of securities, options and futures transactions, with a consequent reduction in our commission revenues, and (ii) losses from declines in the market value of securities we hold in investment. In periods of low volume, our levels of profitability are further adversely affected because certain of our expenses remain relatively fixed. Sudden sharp declines in market values of securities and the failure of issuers and counterparties to perform their obligations can result in illiquid markets which, in turn, may result in us having difficulty selling securities. Such negative market conditions, if prolonged, may lower our revenues. A reduction in our revenues could have a material adverse effect on our business, results of operations and financial condition.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

We currently maintain 12 branch offices and customers can visit our branch offices to obtain market information, place orders, open accounts, deliver and receive checks and securities, and obtain related customer services in person. Nevertheless, most of our activities are conducted on the internet or by telephone and mail. We operate our business out of the following branch offices:

	Approximate Square Feet
Corporate Headquarters	
New York, NY - 535 Fifth Avenue	300
Branch Offices	
Beverly Hills, CA – 190 N Canon	900
Beverly Hills, CA – 9378 Wilshire	3,500
Boca Raton, FL	1,600
Boston, MA	1,700
Calabasas, CA	3,200
Horsham, PA	2,000
Jersey City, NJ	11,000
Miami, FL	11,600
Omaha, NE	2,900
Seal Beach, CA	800
Tampa, FL	1,000
Troy, MI	300

### **ITEM 3. LEGAL PROCEEDINGS**

We are party to certain claims, suits and complaints arising in the ordinary course of business.

For activity related to operations of StockCross Financial Services, Inc. (“StockCross”) prior to our acquisition of StockCross, FINRA’s Division of Enforcement is currently investigating UIT transactions that were executed by StockCross that the enforcement staff believes were terminated early. We believe that many of these transactions were UIT transactions that were the subject of our prior settlements with the Commonwealth of Massachusetts (Dkt. No. E-2017-0104) and the State of California (CRD No.s: 6670 and 2400211). All of these transactions occurred prior to our acquisition of StockCross on January 1, 2020.

Management cannot at this time assess either the duration or the likely outcome or consequences of the FINRA investigation. Nevertheless, FINRA has the authority to impose sanctions on Siebert or require that it make offers of restitution to other customers who FINRA believes incurred sales charges in early liquidations of UITs. No assurances can be given that a mutual settlement with FINRA regarding the investigation can be reached or that any amount paid in settlement will not be material.

In the opinion of management, all other legal matters are without merit, or involve amounts which would not have a material impact on our results of operations or financial position.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.



## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock traded on the Nasdaq Global Market until June 29, 2011 when our common stock started trading on the Nasdaq Capital Market, under the symbol "SIEB."

The closing sale price of our common stock as reported on the Nasdaq Capital Market on March 20, 2023 was \$1.54 per share. As of March 20, 2023, there were 75 holders of record of our common stock based on information provided by our transfer agent. The number of stockholders of record does not reflect the number of individual or institutional stockholders that beneficially own our stock because most stock is held in the name of nominees. Based on information available to us, we believe there are approximately 4,304 beneficial holders of our common stock as of March 20, 2023.

#### Dividend Policy

Our Board of Directors periodically considers whether to declare dividends. In considering whether to pay such dividends, our Board of Directors will review our earnings, capital requirements, economic forecasts and such other factors as are deemed relevant. Some portion of our earnings will be retained to provide capital for the operation and expansion of our business.

#### Share Price Volatility

Since our common stock started trading on the Nasdaq Capital Market, our common stock has been relatively thinly traded and at times been subject to price volatility. From January 1, 2022 to December 31, 2022, the average close price of our common stock was \$1.79 per share. The average daily trading volume from January 1, 2022 to December 31, 2022 was approximately 25,010 shares.

#### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	—	NA	2,704,000
Equity compensation plans not approved by security holders	—	NA	NA
Total	—	NA	2,704,000

#### Unregistered Sales of Equity Securities and Use of Proceeds

For the year ended December 31, 2022, we granted 186,000 unregistered restricted stock units as compensation to certain employees and consultants under Siebert's 2021 Equity Incentive Plan. The units were fully vested upon grant date and were issued pursuant to Rule 701 and/or Section 4(a)(2) of the Securities Act of 1933, as amended.

On November 16, 2021, we issued 1,449,525 shares of our common stock to Tigress in consideration of an equity interest in Tigress pursuant to a certain contribution agreement, by and among Siebert, RISE, and Tigress. The common stock was issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. Refer to Note 11 – Equity Method Investment in Related Parties for more detail.

On August 18, 2021, we amended our common stock purchase agreement with OpenHand Holdings, Inc. (“OpenHand”), dated January 31, 2021, and, pursuant to the amendment, cancelled 329,654 shares of our common stock that we issued to OpenHand pursuant to the original stock purchase agreement. Refer to Note 12 – Investments, Cost for more detail.

On January 31, 2021, Siebert and OpenHand entered into a stock purchase agreement whereby Siebert acquired an interest of 5% of OpenHand common stock for consideration of a total of \$2,231,000 consisting of \$850,000 in cash and 329,654 restricted shares of Siebert’s common stock valued at \$1,381,000 or \$4.19 per share. The common stock was issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended. Refer to Note 12 – Investments, Cost for more detail.

On November 10, 2020, Siebert issued 150,000 shares of its restricted common stock to each of Anthony Palmeri and Gerard Losurdo, each an employee of MSCO, as part of their employment agreements. Mr. Palmeri and Mr. Losurdo each paid Siebert approximately \$400,000 for their shares, which was equal to 70% of the closing price of Siebert’s common stock as reported on Nasdaq on November 9, 2020. The common stock issued to Mr. Palmeri and Mr. Losurdo was subject to a three-year restriction on transfer commencing on the day of issuance. The issuance of common stock was approved by unanimous written consent of Siebert’s board of directors. The common stock was issued to Mr. Palmeri and Mr. Losurdo as part of their employment agreements in accordance with Nasdaq Listing Rule 5635(c)(4) and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

On April 21, 2020, we entered into an agreement with a technology partner pursuant to which the technology partner acquired 193,906 shares of our restricted common stock. The common stock was issued on May 12, 2020 at a per share price of \$5.81 (Siebert’s share price as of the close of May 12, 2020) for a total of \$1.1 million for professional services to integrate the technology partner’s software into Siebert’s existing platforms as well as its robo-advisor. The common stock was issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

Effective January 1, 2020, we acquired the remaining 85% of StockCross’ outstanding shares in exchange for 3,298,774 shares of our common stock, and StockCross was merged with and into MSCO. The common stock was issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

## ITEM 7. MANAGEMENT'S DISCUSSIONS AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our financial statements and the related notes included in Part II, Item 8 - Financial Statements and Supplementary Data of this Annual Report on Form 10-K. In addition to our historical consolidated financial information, the following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in Part I, Item 1A - Risk Factors.

### Overview

We are a financial services company and provide a wide variety of financial services to our clients. We operate in business lines such as retail brokerage, investment advisory, insurance, and technology development through our wholly-owned and majority-owned subsidiaries.

Results in the businesses in which we operate are highly correlated to general economic conditions and, more specifically, to the direction of the U.S. equity and fixed-income markets. Market volatility, overall market conditions, interest rates, economic, political, and regulatory trends, and industry competition are among the factors which could affect us and which are unpredictable and beyond our control. These factors affect the financial decisions made by market participants who include investors and competitors, impacting their level of participation in the financial markets. In addition, in periods of reduced financial market activity, profitability is likely to be adversely affected because certain expenses remain relatively fixed, including salaries and related costs, as well as portions of communications costs and occupancy expenses. Accordingly, earnings for any period should not be considered representative of earnings to be expected for any other period.

### Transactions with Tigress and Hedge Connection

On November 16, 2021, we purchased 24% of the outstanding membership interests in Tigress, a disabled and woman-owned financial services firm, in exchange for 24% of RISE and shares of Siebert common stock. On January 21, 2022, we purchased 20% of Hedge Connection, a woman-owned fintech company, and an option to acquire the remaining interest in Hedge Connection in exchange for consideration of \$600,000 and 3.33% of RISE. As of the date of this Report, Siebert is currently evaluating the terms upon which it will transfer its remaining ownership of Tigress to Gloria E. Gebbia pursuant to the Reorganization Agreement. Refer to Note 3 – Transactions with Tigress and Hedge Connection for further detail on the terms and accounting treatment of these transactions.

As part of these transactions, Tigress' founder, Cynthia DiBartolo, continued as CEO of Tigress, and assumed the position as CEO of RISE. Gloria E. Gebbia, one of Siebert's and RISE's directors, assumed the position of Chief Impact Officer at RISE. Ms. DiBartolo was appointed to Siebert's and RISE's Board of Directors and Ms. Gebbia was appointed to Tigress' Board of Directors. In addition, Lisa Vioni, founder of Hedge Connection, provided RISE with the right to appoint one director to the Board of Directors of Hedge Connection, and Ms. Vioni was appointed to the Board of Directors of RISE as well as to the position of President of RISE Prime – Capital Introduction, a division of RISE.

Based upon the strategic direction of these ventures, management of the respective businesses decided to unwind the original transactions with Siebert, RISE, Hedge Connection and Tigress. As a result, we exchanged our 7% ownership of Tigress for all of Tigress' ownership of RISE. We also entered into an agreement with Hedge Connection whereby we re-conveyed 20% of the common stock of Hedge Connection and the related option to acquire 100% of Hedge Connection in exchange for 3.17% of RISE and the cancellation of Siebert's note payable to Hedge Connection.

As part of these agreements, Ms. DiBartolo and Ms. Vioni resigned from their respective positions within Siebert and RISE.

The financial impact of these transactions with Tigress and Hedge Connection was a one-time loss of approximately \$4.7M for the year ended December 31, 2022, of which \$4.0M was due to an impairment of our investment in Tigress. These expenses are recorded in the line items "Impairment of equity method investment in related party" and "Loss on sale of equity method investment in related parties" in the statements of operations.

Management is assessing the future strategic direction of RISE, taking into consideration current market conditions, demand trends, and resources.

## Termination of Clearing Arrangements with GSCO and Pershing

On August 30, 2021, Goldman Sachs & Co. LLC (“GSCO”) notified RISE that its clearing arrangement with RISE will be terminated. Due to the termination of RISE’s clearing arrangement with GSCO, substantially all the revenue producing customers of RISE have transitioned to other prime service providers. Revenue and pre-tax income from customers that have transitioned to other prime service providers was approximately \$12.6 million and \$1.8 million, respectively, for the year ended December 31, 2021.

As of December 31, 2022, we were in the process of terminating our clearing relationships with GSCO and Pershing LLC (“Pershing”). As of the date of this Report, we are no longer doing active business with these clearing vendors, and anticipate the full termination of these relationships by the end of the first quarter of 2023.

## Interest Rates

We are exposed to market risk from changes in interest rates. Such changes in interest rates primarily impact revenue from interest, marketing, and distribution fees. We primarily earn interest, marketing and distribution fees from margin interest charged on clients’ margin balances, interest on cash and securities segregated for regulatory purposes, and distribution fees from money market mutual funds in clients’ accounts. Securities segregated for regulatory purposes consist solely of U.S. government securities. If prices of U.S. government securities within our portfolio decline, we anticipate the impact to be temporary as we intend to hold these securities to maturity. We seek to mitigate this risk by managing the average maturities of our U.S. government securities portfolio and setting risk parameters for securities owned, at fair value.

## Technology Partner

In third quarter of 2022, we reassessed our technology needs and entered into a software license agreement with a different technology provider for the development of a new retail trading platform which will replace our current platforms and resulted in the termination of our original technology relationship. We believe this new technology provider will be key to creating a platform for the next generation of retail customers and the termination of our original technology relationship had minimal impact on our current operations. Refer to Note 6 – Prepaid Service Contract for further detail on the accounting and financial impact of the termination of our original technology relationship.

## Client Account and Activity Metrics

The following tables set forth metrics we use in analyzing our client account and activity trends for the periods indicated.

### *Client Account Metrics – Retail and Institutional Customer Net Worth*

	As of December 31,	
	2022	2021
Retail and institutional customer net worth (in billions)	\$ 13.5	\$ 17.3

### *Client Account Metrics – Retail Customers*

	As of December 31,	
	2022	2021
Retail customer net worth (in billions)	\$ 13.5	\$ 16.8
Retail customer margin debit balances (in billions)	\$ 0.4	\$ 0.5
Retail customer credit balances (in billions)	\$ 0.6	\$ 0.8
Retail customer money market fund value (in billions)	\$ 0.6	\$ 0.8
Retail customer accounts	122,394	115,380

- Retail customer net worth represents the total value of securities and cash in the retail customer accounts after deducting margin debits
- Retail customer margin debit balances represents credit extended to our customers to finance their purchases against current positions
- Retail customer credit balances represents client cash held in brokerage accounts
- Retail customer money market fund value represents all retail customers accounts invested in money market funds
- Retail customer accounts represents the number of retail customers

### *Client Account Metrics – Institutional Customers*

	As of December 31,	
	2022	2021
Institutional customer net worth (in billions)	\$ —	\$ 0.5

- Institutional customer net worth represents the total value of securities and cash in the institutional customer accounts after deducting margin debits and short positions

### *Client Activity Metrics – Retail Customers*

	Year Ended December 31,	
	2022	2021
Total retail trades	374,996	472,540

- Total retail trades represents retail trades that generate commissions

### **Statements of Operations and Financial Condition**

#### *Statements of Operations for the Year Ended December 31, 2022 and 2021*

##### *Revenue*

Commissions and fees for the year ended December 31, 2022 were \$7,477,000 and decreased by \$10,775,000 from the corresponding period in the prior year primarily due to the loss of institutional customers of RISE as well as market conditions during 2022.

Interest, marketing and distribution fees for the year ended December 31, 2022 were \$17,234,000 and increased by \$4,337,000 from the corresponding period in the prior year, primarily due to a rising interest rate environment which increased margin interest, 12b-1 money market fees, as well as interest on U.S. treasuries and cash deposits within MSCO of an aggregate of \$7.5 million, partially offset by the loss of interest income from institutional customers in RISE of \$3.2 million.

Principal transactions and proprietary trading for the year ended December 31, 2022 were \$3,743,000 and decreased by \$11,904,000 from the corresponding period in the prior year primarily due to the factors discussed below.

The decrease in realized and unrealized gain on primarily riskless principal transactions was primarily due to weaker market conditions in 2022 within this business line. The increase in unrealized loss on our portfolio of U.S. government securities was due to the following.

In 2022 Siebert invested in treasury bill and treasury notes which are primarily in the line item “Cash and securities segregated for regulatory purposes” on the statements of financial condition, in order to enhance its yield on its excess 15c3-3 deposits. During 2022, there was an increase in U.S. government securities yields, which created an unrealized loss of approximately \$3.9 million on our government securities portfolio for the year ended December 31, 2022. The aggregate unrealized loss of on the portfolio will be returned over the duration of the government securities, at a point no later than the maturity of the securities, the latest maturity being August 2024.

We intend to hold these securities to maturity and as such, the aggregate unrealized loss of approximately \$3.9 million on the portfolio as of December 31, 2022 will be returned over the duration of the government securities, at a point no later than the maturity of the securities. The maturities of the government securities are primarily in 2023 and the latest maturity is August 2024. If the value of our portfolio of government securities declines further, we will incur further unrealized losses; however, we anticipate this loss to be temporary as we intend to hold these securities to maturity. The portfolio of U.S. government securities represents less than half of the total value of our cash and securities segregated for regulatory purposes, and we believe that the level invested reduces the risk of having to liquidate the securities prior to maturity.

Below is a summary of the change in the principal transactions and proprietary trading line item for the periods presented.

	Year Ended December 31,		
	2022	2021	(Year over Year Decrease)
Principal transactions and proprietary trading			
Realized and unrealized gain on primarily riskless principal transactions	\$ 7,643,000	\$ 15,675,000	\$ (8,032,000)
Unrealized loss on portfolio of U.S. government securities	(3,900,000)	(28,000)	(3,872,000)
Total Principal transactions and proprietary trading	\$ 3,743,000	\$ 15,647,000	\$ (11,904,000)

Market making for the year ended December 31, 2022 was \$2,443,000 and decreased by \$3,454,000 from the corresponding period in the prior year primarily due to market conditions.

Stock borrow / stock loan for the year ended December 31, 2022 was \$14,518,000 and increased by \$2,654,000 from the corresponding period in the prior year primarily due to the growth of the business, expansion of our stock locate revenues, and additional securities lending and locate counterparty relationships.

Advisory fees for the year ended December 31, 2022 were \$1,862,000 and increased by \$194,000 from the corresponding period in the prior year primarily due to the expansion of the advisory business.

Other income for the year ended December 31, 2022 was \$2,825,000 and increased by \$1,543,000 from the corresponding period in the prior year primarily due to an increase in income from consulting services and termination payment from a technology partner.

#### *Operating Expenses*

Employee compensation and benefits for the year ended December 31, 2022 were \$28,734,000 and decreased by \$7,690,000 from the corresponding period in the prior year primarily due to a decrease in commissions payouts from RISE related to the loss of our institutional customers and a decrease in payouts related to fixed income, market making, and commission revenue, partially offset by an increase in payouts related to stock borrow / stock loan as well as an increase in executive compensation.

Clearing fees, including execution costs for the year ended December 31, 2022 were \$2,143,000 and decreased by \$2,674,000 from the corresponding period in the prior year primarily due to a decrease in our institutional clearing costs related to RISE as well as the recognition of our business development credit from our agreement with NFS.

Technology and communications expenses for the year ended December 31, 2022 were \$4,471,000 and decreased by \$291,000 from the corresponding period in the prior year primarily due to a decrease in technology costs related to RISE, partially offset by an increase in software licenses and other technology expenses.

Other general and administrative expenses for the year ended December 31, 2022 were \$4,010,000 and increased by \$324,000 from the corresponding period in the prior year primarily due to an increase in travel and entertainment related to marketing initiatives for our corporate services and securities finance business lines, an increase in insurance costs, partially offset by a legal settlement occurring in 2021.

Data processing expenses for the year ended December 31, 2022 were \$3,169,000 and increased by \$320,000 from the corresponding period in the prior year primarily due to an increase in service bureau charges.

Rent and occupancy expenses for the year ended December 31, 2022 were \$1,955,000 and increased by \$25,000 from the corresponding period in the prior year.

Professional fees for the year ended December 31, 2022 were \$3,202,000 and increased by \$507,000 from the corresponding period in the prior year primarily due to an increase in legal and consulting fees related to certain transactions such as the unwinding of Tigress and Hedge Connection.

Depreciation and amortization expenses for the year ended December 31, 2022 were \$995,000 and decreased by \$450,000 from the corresponding period in the prior year primarily due to the completion of useful lives of assets within STCH and write-offs of intangible assets related to RISE occurring in 2021.

Referral fees for the year ended December 31, 2022 were \$0 and decreased by \$1,213,000 from the corresponding period in the prior year primarily due to the loss of our institutional customers of RISE.



Interest expense for the year ended December 31, 2022 was \$440,000 and increased by \$79,000 from the corresponding period in the prior year primarily due to additional interest incurred from the mortgage with East West Bank established in 2022.

Loss on impairment for the year ended December 31, 2022 was \$0 and decreased by \$699,000 from the corresponding period in the prior year primarily due to the impairment of our RISE customer relationships intangible asset due to the termination of our clearing arrangement with GSCO occurring in the third quarter of 2021.

Advertising and promotion expense for the year ended December 31, 2022 was \$543,000 and increased by \$499,000 from the corresponding period in the prior year primarily due to an increase in promotional costs for various marketing initiatives.

#### *Earnings of Equity Method Investment in Related Parties*

The earnings of equity method investment in related parties for the year ended December 31, 2022 was \$4,000 and decreased by \$168,000 from the corresponding period in the prior year primarily due to a decrease in the earnings of Tigress and our proportional income.

#### *Impairment of Equity Method Investment in Related Party*

Impairment of equity method investment in related party for the year ended December 31, 2022 was \$4,015,000 and increased by \$4,015,000 from the corresponding period in the prior year due to the impairment of our investment in Tigress.

#### *Loss on Sale of Equity Method Investment in Related Parties*

Loss on sale of equity method investment in related parties for the year ended December 31, 2022 was \$719,000 and increased by \$719,000 from the corresponding period in the prior year due to our loss on the transactions between Siebert, RISE, Hedge Connection and Tigress.

#### *Provision For (Benefit From) Income Taxes*

The benefit from income taxes for the year ended December 31, 2022 was \$1,300,000 and decreased from the provision for income taxes by \$3,021,000 from the corresponding period in the prior year. Refer to Note 19 – Income Taxes for further detail.

#### *Net Loss Attributable to Noncontrolling Interests*

As further discussed in Note 1 – Organization and Basis of Presentation, we consolidate RISE's financial results into our financial statements and reflect the portion of RISE not held by Siebert as a noncontrolling interests in our financial statements. The net loss attributable to noncontrolling interests for the year ended December 31, 2022 was \$1,000,000, and increased by \$970,000 from the corresponding period in the prior year due to an increase in RISE's net loss for 2022 and Siebert's ownership of RISE.

### ***Statements of Financial Condition as of December 31, 2022 and 2021***

#### *Assets*

Assets as of December 31, 2022 were \$728,048,000 and decreased by \$676,187,000 from December 31, 2021, primarily due to a decrease in securities borrowed, receivables from customers, and cash and securities segregated for regulatory purposes, partially offset by an increase in cash and cash equivalents.

#### *Liabilities*

Liabilities as of December 31, 2022 were \$678,128,000 and decreased by \$675,601,000 from December 31, 2021, primarily due to a decrease in securities loaned, payables to customers, and notes payable – related party.

### **Liquidity and Capital Resources**

#### ***Overview***

We expect to use our available cash, cash equivalents, and potential future borrowings under our debt agreements and potential issuance of new debt or equity, to support and invest in our core business, including investing in new ways to serve our customers, potentially seeking strategic acquisitions to leverage existing capabilities, and for general capital needs (including capital, deposit, and

collateral requirements imposed by regulators and SROs). Based on our current level of operations, we believe our available cash, available lines of credit, overall access to capital markets, and cash provided by operations will be adequate to meet our current liquidity needs for the foreseeable future. As of the date of this Report, there are no known or material events that would require us to use large amounts of our liquid assets to cover expenses.

### ***Cash and Cash Equivalents***

Our cash and cash equivalents were \$23.7 million and \$3.8 million as of December 31, 2022 and 2021, respectively.

### ***Debt Agreements***

We have a \$4.4 million mortgage and a \$2.7 million loan outstanding with East West Bank, and an unutilized line of credit for short term overnight demand borrowing of up to \$25 million with BMO Harris as of December 31, 2022. The ability to borrow an additional \$5.0 million on our loan with East West Bank expired on July 22, 2022; however, we do not believe this will impact our ability to fund our operations. As of December 31, 2022, we were in compliance with all covenants related to our debt agreements.

### ***Cash Requirements***

The following table summarizes our short- and long-term material cash requirements as of December 31, 2022:

	Payments Due By Period					Total
	2023	2024	2025	2026	Thereafter	
Operating lease commitments	\$ 1,246,000	\$ 588,000	\$ 450,000	\$ 234,000	\$ 48,000	\$ 2,566,000
Mortgage with East West Bank	75,000	84,000	88,000	91,000	4,048,000	4,386,000
Loan with East West Bank	998,000	1,661,000	—	—	—	2,659,000
Total	\$ 2,319,000	\$ 2,333,000	\$ 538,000	\$ 325,000	\$ 4,096,000	\$ 9,611,000

On December 30, 2021, we purchased the Miami office building and are building out this space to be one of our primary operating centers. The total estimated cost for the build out is \$1.5 million, with \$338,000 financed through a commitment with East West Bank and the remainder being cash. As of December 31, 2022, we have incurred approximately \$1.0 million out of the \$1.5 million of the build out costs.

### ***Shelf Registration Statement***

On February 18, 2022, we filed a shelf registration statement on Form S-3 that was declared effective on March 2, 2022 by the SEC for the potential offering, issuance and sale by us of up to \$100.0 million of our common stock, preferred stock, warrants to purchase our common stock and/or preferred stock, units consisting of all or some of these securities and subscription rights to purchase all or some of these securities. The registration statement was filed in reliance on General Instruction I.B.6 of Form S-3, which imposes a limitation on the maximum amount of securities that we may sell pursuant to the registration statement during any twelve-month period. Assuming we remain subject to General Instruction I.B.6, at the time we sell securities pursuant to the registration statement, the amount of securities to be sold plus the amount of any securities we have sold during the prior twelve months in reliance on Instruction I.B.6 may not exceed one-third of the aggregate market value of our outstanding common stock held by non-affiliates as of a day during the 60 days immediately preceding such sale as computed in accordance with Instruction I.B.6. Whether we sell securities under the registration statement will depend on a number of factors, including the market conditions at that time, our cash position at that time and the availability and terms of alternative sources of capital.

### ***At the Market Offering***

On May 27, 2022, we entered into a Capital on Demand<sup>TM</sup> Sales Agreement with JonesTrading as agent, pursuant to which we may offer and sell, from time to time through JonesTrading, shares of our common stock having an aggregate offering amount of up to \$9.6 million under our shelf registration statement on Form S-3. For the year ended December 31, 2022, we did not sell any shares pursuant to this Sales Agreement. Refer to Note 22 – Commitments, Contingencies, and Other for additional detail.

### ***Net Capital, Reserve Accounts, Segregation of Funds, and Other Regulatory Requirements***

MSCO is subject to the Uniform Net Capital Rules of the SEC (Rule 15c3-1) and the Customer Protection Rule (15c3-3) of the Exchange Act and maintains capital and segregated cash reserves in excess of regulatory requirements. Requirements under these regulations may vary; however, MSCO has adequate reserves and contingency funding plans in place to sufficiently meet any regulatory



requirements. In addition to net capital requirements, as a self-clearing broker-dealer, MSCO is subject to cash deposit and collateral requirements with clearing houses, such as the DTCC and OCC, which may fluctuate significantly from time to time based upon the nature and size of clients' trading activity and market volatility. RISE, as a member of FINRA, is subject to the SEC Uniform Net Capital Rule 15c3-1 and the corresponding regulatory capital requirements.

MSCO can transfer funds to Siebert as long as it maintains its liquidity and regulatory capital requirements. RISE can transfer funds to its shareholders, of which Siebert is entitled to its proportional ownership interest, as long as RISE maintains its liquidity and regulatory capital requirements. For the years ended December 31, 2022 and 2021, MSCO and RISE had sufficient net capital to meet their respective liquidity and regulatory capital requirements. Refer to Note 20 – Capital Requirements for more detail on our capital requirements.

## **Cash Flows**

Cash provided by and used in operating activities consisted of net income (loss) adjusted for certain non-cash items. Net operating assets and liabilities at any specific point in time are subject to many variables, including variability in customer activity, the timing of cash receipts and payments, and vendor payment terms. The total changes in our statements of cash flows, especially our operating cash flow, are not necessarily indicative of the ongoing results of our business as we have customer assets and liabilities on our statements of financial condition.

For the year ended December 31, 2022, we had negative operating cash flow due to the net effect of the change in payables to customers and receivables from customers. Other items within operating cash flow mostly offset each other, most notably our net loss and the adjustment from the impairment of equity method investment in related party. We had investing cash outflows primarily from the build out of the Miami office building and development work related to our new retail trading platform and other technology initiatives. We had financing cash outflows due to the repayment of the notes payable - related party to Gloria E. Gebbia and Hedge Connection, as well as the repayment of our loan with East West Bank.

For the year ended December 31, 2021, we had positive operating cash flow. We had investing cash outflows related to the purchase of the Miami office building, equity of OpenHand, software assets and miscellaneous office facilities. We had financing cash inflow related to the mortgage from East West Bank to finance part of the purchase of the Miami office building as well as an incremental note payable from Gloria E. Gebbia.

## **Long Term Contracts**

### ***Contract with NFS***

Effective August 1, 2021, MSCO entered into an amendment to its clearing agreement with NFS that, among other things, extends the term of their arrangement for an additional four-year period commencing on August 1, 2021 and ending July 31, 2025. As part of this agreement, we received a one-time business development credit of \$3 million, and NFS will pay us four annual credits of \$100,000 over the term of the agreement. The amendment also provides for an early termination fee; however, as of December 31, 2022, we do not expect to terminate the contract with NFS before the end of the contract term. Refer to Note 15 – Deferred Contract Incentive and Note 22 – Commitments, Contingencies and Other for additional detail.

## **Off-Balance Sheet Arrangements**

We enter into various transactions to meet the needs of customers, conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk. In the normal course of business, our customer activities involve the execution, settlement, and financing of various customer securities transactions. These activities may expose us to off-balance sheet risk in the event the customer or other broker is unable to fulfill their contracted obligations and we are forced to purchase or sell the financial instrument underlying the contract at a loss. There were no material losses for unsettled customer transactions for the years ended December 31, 2022 and 2021. Refer to Note 21 – Financial Instruments with Off-Balance Sheet Risk for additional detail.

## **Critical Accounting Policies and Estimates**

We generally follow accounting policies standard in the brokerage industry and believe that our policies appropriately reflect our financial position and results of operations. Our management team makes significant estimates that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities included in the consolidated financial statements. The estimates relate primarily to revenue and expense items in the normal course of business as to which we receive no confirmations, invoices, or other documentation, at the time the books are closed for a period. We use our best judgment, based on our knowledge of revenue transactions and expenses incurred, to estimate the amount of such revenue and expenses. We are not aware

of any material differences between the estimates used in closing our books for the last five years and the actual amounts of revenue and expenses incurred when we subsequently receive the actual confirmations, invoices or other documentation.

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The preparation of our consolidated financial statements requires us to make judgments and estimates that may have a significant impact on our financial results. We believe that the critical accounting policies listed below are particularly subject to management's judgments and estimates and could materially affect our results of operations and financial position. Refer to Note 2 – Summary of Significant Accounting Policies for additional detail on our significant accounting policies.

#### ***Estimates of effective income tax rates, uncertain tax positions, deferred income taxes and related valuation allowances***

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

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

We record uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

We recognize interest and penalties related to unrecognized tax benefits on the provision for income taxes line in the statements of operations. Accrued interest and penalties would be included on the related tax liability line in the statements of financial condition.

#### ***Goodwill and other intangible assets***

Goodwill is recognized as a result of business combinations and represents the excess of the purchase price over the fair value of net tangible assets and identifiable intangible assets acquired.

The valuation of goodwill and acquired intangible assets requires significant judgment and estimates by management. For example, the valuation of certain intangible assets required management's estimates of future earnings and cash flows as well as judgment in determining market approaches. The useful life of the finite lived intangible assets was determined based on management's estimate of the period over which those intangible assets were expected to provide economic benefit. Management applies judgment in conducting impairment testing for goodwill and intangible assets, including estimates of fair value based on the income or market approach and estimates required to determine the useful lives of finite lived intangible assets.

We test goodwill and all intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, or at least annually. If our estimates of fair value change due to future events differing significantly from the forecasts used to determine fair value or there are changes in our business or other factors, we will assess the amount of impairment and recognize it in our financial statements during that reporting period.

We also evaluate the useful life of finite lived intangible assets on an annual basis to determine if events or trends warrant a change in estimate of the useful life. Changes in the estimated useful lives of finite lived intangible assets could result in the recognition of an impairment or a change in the remaining life of these assets.

We have concluded that as of December 31, 2022 and 2021, there has been no impairment to the carrying value of Siebert's goodwill; however, there has been an impairment of \$4,015,000 to the carrying value of our equity method investment in Tigress for the year ended December 31, 2022, and an impairment of \$699,000 to the RISE customer relationships intangible asset for the year ended December 31, 2021 due to the termination of GSCO's clearing arrangement with RISE.

Refer to Note 2 – Summary of Significant Accounting Policies and Note 3 – Transactions with Tigress and Hedge

Connection for additional detail.

### ***Accruals for contingent liabilities***

Accruals for contingent liabilities related to legal and regulatory claims as well as employee healthcare expenses under our self-insured plan reflect an estimate of probable losses. In making such estimates for legal and regulatory claims, we consider many factors, including the progress of the matter, prior experience and the experience of others in similar matters, available defenses, insurance coverage, indemnification provisions and the advice of legal counsel and other experts. In making such estimates for employee healthcare expenses, we consider many factors, including trends of our health insurance expenses and our insurance reserve limits. We believe that our present insurance coverage and reserves are sufficient to cover currently estimated exposures, but there can be no assurance that we will not incur liabilities in excess of recorded reserves or in excess of our insurance limits. Significant judgment is required in making these estimates, and the actual cost may be materially different than the estimated costs. Refer to Note 22 – Commitments, Contingencies and Other for additional detail.

### ***Variable Interest Entities***

We evaluate whether an entity is a VIE and determine if the primary beneficiary status is appropriate on a quarterly basis. We consolidate a VIE for which we are the primary beneficiary. When assessing the determination of the primary beneficiary, we consider all relevant facts and circumstances, including factors such as the power to direct the activities of the VIE that most significantly impact its economic performance, the obligation to absorb the losses and/or the right to receive the expected returns of the VIE. Through this evaluation, as of December 31, 2022, we determined that RISE is a VIE and we are the primary beneficiary, primarily due to Siebert's power to direct the activities of RISE that most significantly impact its economic performance. Additionally, Siebert may be obligated to fund RISE's operations at an amount that is disproportional to its ownership percentage.

### ***New Accounting Standards***

Refer to Note 2 - Summary of Significant Accounting Policies for additional information regarding new Accounting Standards Updates ("ASU"s) issued by the Financial Accounting Standards Board ("FASB").

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Financial Instruments Held For Trading Purposes

We do not directly engage in derivative transactions, have no interest in any special purpose entity and have no liabilities, contingent or otherwise, for the debt of another entity.

### Financial Instruments Held For Purposes Other Than Trading

We generally invest our cash and cash equivalents temporarily in dollar denominated bank account(s). These investments are not subject to material changes in value due to interest rate movements.

We invest cash and securities segregated for regulatory purposes in dollar denominated bank accounts which are not subject to material changes in value due to interest rate movements. We also invest cash and securities segregated for regulatory purposes and securities owned, at fair value in U.S. government securities which may be subject to material changes in value due to interest rate movements. Securities owned, at fair value invested in U.S. government securities are generally purchased to enhance yields on required regulatory deposits. While the value of the government securities may be subject to material changes in value, we believe any reduction in value would be temporary since the securities would mature at par value.

Customer transactions are cleared through clearing brokers on a fully disclosed basis and are also self-cleared by MSCO. If customers do not fulfill their contractual obligations, any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy customer obligations may be incurred by Siebert. We regularly monitor the activity in customer accounts for compliance with margin requirements. We are exposed to the risk of loss on unsettled customer transactions if customers and other counterparties are unable to fulfill their contractual obligations. There were no material losses for unsettled customer transactions in the last five years.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

#### SIEBERT FINANCIAL CORP.

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Siebert Financial Corp.:

### Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Siebert Financial Corp. & Subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes (collectively referred to as the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Impairment of equity method investment in related party*

As described in Note 3 to the consolidated financial statements, the Company entered into a Reorganization Agreement on October 18, 2022 with Tigress Holdings, LLC ("Tigress"), an equity-method investee of the Company. Prior to this agreement, the Company owned 24% of the outstanding membership interests in Tigress, while Tigress owned a combination of stock in the Company as well as membership interests in one of the Company's majority-owned subsidiaries, RISE Financial Services, LLC ("RISE"). Under the terms of the Reorganization Agreement, the Company exchanged a portion of its outstanding membership interests in Tigress for all of Tigress's membership interests in RISE.

As a result of the transaction described above, as well as the fact that Tigress had been impacted by adverse market conditions resulting in a decline in their performance and future projections, management concluded that a triggering event had occurred and evaluated if the investment in Tigress was other than temporarily impaired. Thus, the Company performed an impairment test as of October 18, 2022, and estimated the fair value of Tigress using the income approach and the market approach and recognized an impairment charge.

The principal considerations for our determination that performing procedures relating to the impairment is a critical audit matter are (i) the significant judgment by management to evaluate the significant assumptions used in the determination of the fair value of the

investment, which was used to determine the amount that fair value had declined below its related carrying value for a period considered to be other-than-temporary, (ii) a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's assumptions related used in the impairment measurement, and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

*How We Addressed the Matter in Our Audit*

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included:

- Tested the effectiveness of controls relating to management's impairment measurement for the equity method investment in related party, including controls over the income and the market approach analyses and significant assumptions used to determine the fair value of the equity method investment in related party.
- Tested management's process for determining the fair value of its equity method investment in related party, including evaluating the appropriateness of the income approach and the market approach analyses.
- Tested the completeness and accuracy of the underlying data used in the income approach and the market approach analyses and evaluated the reasonableness of the significant assumptions used by management in developing the fair value measurement related to the growth rates of assets under management and discount rates. The reasonableness of the growth rates of assets under management was evaluated by considering (i) the consistency with external market and industry data, (ii) the consistency with past performance of the affiliate, and (iii) whether the growth rates were consistent with evidence obtained in other areas of the audit. The reasonableness of the discount rate assumption was evaluated by considering the cost of capital of comparable businesses and other industry factors.
- Engaged internal valuation professionals with specialized skill and knowledge to assist in the evaluation of the discount rates used to determine whether the fair value of the equity method investment in related party had declined below its carrying value for a period considered to be other-than-temporary.

/s/ Baker Tilly US, LLP

We have served as the Company's auditor since 2017.

New York, New York  
March 29, 2023

**SIEBERT FINANCIAL CORP. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	December 31, 2022	December 31, 2021
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 23,672,000	\$ 3,758,000
Cash and securities segregated for regulatory purposes	276,166,000	326,826,000
Receivables from customers	52,057,000	85,327,000
Receivables from broker-dealers and clearing organizations	9,094,000	8,185,000
Receivables from non-customers	100,000	81,000
Other receivables	2,119,000	2,242,000
Prepaid service contract - current	—	709,000
Prepaid expenses and other assets	2,055,000	1,596,000
Securities borrowed	336,909,000	939,518,000
Securities owned, at fair value	3,204,000	3,991,000
Total Current assets	705,376,000	1,372,233,000
Deposits with broker-dealers and clearing organizations	1,311,000	5,541,000
Prepaid service contract – non-current	—	295,000
Property, office facilities, and equipment, net	8,328,000	7,463,000
Software, net	991,000	752,000
Lease right-of-use assets	2,222,000	2,662,000
Equity method investments in related parties	2,584,000	8,156,000
Investments, cost	850,000	850,000
Deferred tax assets	4,397,000	4,294,000
Goodwill	1,989,000	1,989,000
Total Assets	\$ 728,048,000	\$1,404,235,000
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities		
Current liabilities		
Payables to customers	\$ 321,391,000	\$ 376,670,000
Payables to non-customers	11,506,000	17,430,000
Drafts payable	2,384,000	1,804,000
Payables to broker-dealers and clearing organizations	660,000	254,000
Accounts payable and accrued liabilities	2,507,000	3,677,000
Taxes payable	1,052,000	1,748,000
Securities loaned	327,180,000	931,735,000
Securities sold, not yet purchased, at fair value	2,000	24,000
Notes payable - related party	—	7,000,000
Current portion of lease liabilities	1,158,000	1,234,000
Current portion of long-term debt	1,073,000	998,000
Current portion of deferred contract incentive	808,000	808,000
Total Current liabilities	669,721,000	1,343,382,000
Lease liabilities, less current portion	1,245,000	1,699,000
Long-term debt, less current portion	5,974,000	6,710,000
Deferred contract incentive, less current portion	1,188,000	1,938,000
Total Liabilities	678,128,000	1,353,729,000
Commitments and Contingencies		
Stockholders' equity		
Common stock, \$.01 par value; 100 million shares authorized; 32,505,329 and 32,403,235 shares issued and outstanding as of December 31, 2022 and 2021, respectively	325,000	324,000
Additional paid-in capital	29,642,000	27,967,000
Retained earnings	18,982,000	20,972,000
Total Stockholders' equity	48,949,000	49,263,000
Noncontrolling interests	971,000	1,243,000
Total Equity	49,920,000	50,506,000
Total Liabilities and Equity	\$ 728,048,000	\$1,404,235,000

Numbers are rounded for presentation purposes. See notes to consolidated financial statements.



**SIEBERT FINANCIAL CORP. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31,	
	2022	2021
Revenue		
Commissions and fees	\$ 7,477,000	\$ 18,252,000
Interest, marketing and distribution fees	17,234,000	12,897,000
Principal transactions	3,743,000	15,647,000
Market making	2,443,000	5,897,000
Stock borrow / stock loan	14,518,000	11,864,000
Advisory fees	1,862,000	1,668,000
Other income	2,825,000	1,282,000
Total Revenue	50,102,000	67,507,000
Expenses		
Employee compensation and benefits	28,734,000	36,424,000
Clearing fees, including execution costs	2,143,000	4,817,000
Technology and communications	4,471,000	4,762,000
Other general and administrative	4,010,000	3,686,000
Data processing	3,169,000	2,849,000
Rent and occupancy	1,955,000	1,930,000
Professional fees	3,202,000	2,695,000
Depreciation and amortization	995,000	1,445,000
Referral fees	—	1,213,000
Impairment loss	—	699,000
Interest expense	440,000	361,000
Advertising and promotion	543,000	44,000
Total Expenses	49,662,000	60,925,000
Operating income	440,000	6,582,000
Earnings of equity method investment in related parties	4,000	172,000
Impairment of equity method investment in related party	(4,015,000)	—
Loss on sale of equity method investment in related parties	(719,000)	—
Non-operating income (loss)	(4,730,000)	172,000
Income (loss) before provision for (benefit from) income taxes	(4,290,000)	6,754,000
Provision for (benefit from) income taxes	(1,300,000)	1,721,000
Net income (loss)	(2,990,000)	5,033,000
Less net loss attributable to noncontrolling interests	(1,000,000)	(30,000)
Net income (loss) available to common stockholders	\$ (1,990,000)	\$ 5,063,000
Net income (loss) available to common stockholders per share of common stock		
Basic and diluted	\$ (0.06)	\$ 0.16
Weighted average shares outstanding		
Basic and diluted	32,408,449	31,316,119

Numbers are rounded for presentation purposes. See notes to consolidated financial statements.

**SIEBERT FINANCIAL CORP. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**

	Number of Shares Issued	\$.01 Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Total Stockholders' Equity	Noncontrolli ng Interests	Total Equity
Balance – January 1, 2021	30,953,710	\$ 309,000	\$ 21,768,000	\$ —	\$ 15,909,000	\$ 37,986,000	\$ —	\$37,986,000
Shares issued for OpenHand transaction	329,654	3,000	1,378,000	—	—	1,381,000	—	1,381,000
Shares retired from OpenHand transaction	(329,654)	(3,000)	(1,315,000)	—	—	(1,318,000)	—	(1,318,000)
Shares issued for Tigress transaction	1,449,525	15,000	6,136,000	—	—	6,151,000	1,273,000	7,424,000
Net income (loss)	—	—	—	—	5,063,000	5,063,000	(30,000)	5,033,000
Balance – December 31, 2021	32,403,235	\$ 324,000	\$ 27,967,000	\$ —	\$ 20,972,000	\$ 49,263,000	\$ 1,243,000	\$50,506,000
Issuance and transfers of RISE membership interests	—	—	1,573,000	—	—	1,573,000	1,841,000	3,414,000
Termination of agreement with technology partner	—	—	—	(293,000)	—	(293,000)	—	(293,000)
Cancellation of treasury stock	(193,906)	(2,000)	(291,000)	293,000	—	—	—	—
Sales of equity method investments in related parties	—	—	(65,000)	—	—	(65,000)	(1,113,000)	(1,178,000)
Share-based compensation	296,000	3,000	458,000	—	—	461,000	—	461,000
Net income (loss)	—	—	—	—	(1,990,000)	(1,990,000)	(1,000,000)	(2,990,000)
Balance – December 31, 2022	32,505,329	\$ 325,000	\$ 29,642,000	\$ —	\$18,982,000	\$ 48,949,000	\$ 971,000	\$49,920,000

Numbers are rounded for presentation purposes. See notes to consolidated financial statements.

**SIEBERT FINANCIAL CORP. & SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2022	2021
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ (2,990,000)	\$ 5,033,000
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Deferred income tax expense (benefit)	(655,000)	523,000
Depreciation and amortization	995,000	1,445,000
Net lease liabilities	(90,000)	(51,000)
Downward adjustment due to changes in observable prices	—	63,000
Loss on impairment	—	699,000
Earnings of equity method investment in related parties	(4,000)	(172,000)
Impairment of equity method investment in related party	4,015,000	—
Loss on sale of equity method investment in related parties	719,000	—
Share-based compensation	461,000	—
Changes in		
Receivables from customers	33,270,000	10,031,000
Receivables from non-customers	(19,000)	(81,000)
Receivables from and deposits with broker-dealers and clearing organizations	3,321,000	9,298,000
Securities borrowed	602,609,000	(33,733,000)
Securities owned, at fair value	787,000	(1,368,000)
Prepaid expenses and other assets	(335,000)	(51,000)
Prepaid service contract	711,000	809,000
Payables to customers	(55,279,000)	(3,854,000)
Payables to non-customers	(5,924,000)	5,860,000
Drafts payable	580,000	(2,217,000)
Payables to broker-dealers and clearing organizations	406,000	(1,556,000)
Accounts payable and accrued liabilities	(1,170,000)	(100,000)
Securities loaned	(604,555,000)	10,924,000
Securities sold, not yet purchased, at fair value	(22,000)	3,000
Taxes payable	(696,000)	1,292,000
Deferred contract incentive	(750,000)	2,746,000
Net cash provided by (used in) operating activities	(24,615,000)	5,543,000
<b>Cash Flows From Investing Activities</b>		
Equity method investment in related party	—	(64,000)
Purchase of Openhand common stock	—	(850,000)
Distribution from equity method investment in related party	259,000	—
Purchase of office facilities and equipment	(284,000)	(296,000)
Purchase of property	—	(6,815,000)
Build out of property	(985,000)	—
Purchase of software	(830,000)	(343,000)
Net cash (used in) investing activities	(1,840,000)	(8,368,000)
<b>Cash Flows From Financing Activities</b>		
Issuance of RISE membership interests	600,000	—
Transfers of RISE membership interests	240,000	—
Net change in notes payable – related party	(4,470,000)	1,800,000
Net change in long-term debt	(661,000)	3,053,000
Net cash provided by (used in) financing activities	(4,291,000)	4,853,000
Net change in cash and cash equivalents, and cash and securities segregated for regulatory purposes	(30,746,000)	2,028,000
Cash and cash equivalents, and cash and securities segregated for regulatory purposes - beginning of year	330,584,000	328,556,000
Cash and cash equivalents, and cash and securities segregated for regulatory purposes - end of year	\$ 299,838,000	\$ 330,584,000

**Reconciliation of cash, cash equivalents, and cash and securities segregated for regulatory purposes**

Cash and cash equivalents - end of year	\$ 23,672,000	\$ 3,758,000
Cash and securities segregated for regulatory purposes - end of year	276,166,000	326,826,000
Cash and cash equivalents, and cash and securities segregated for regulatory purposes - end of year	<u>\$ 299,838,000</u>	<u>\$ 330,584,000</u>

**Supplemental cash flow information**

Cash paid / (refunds received) during the year for income taxes	\$ 59,000	\$ (642,000)
Cash paid during the year for interest	\$ 440,000	\$ 361,000

**Non-cash investing and financing activities**

Equity method investment in related party (1)	\$ —	\$ 7,920,000
Termination of agreement with technology partner (2)	\$ (293,000)	\$ —
Transfers of RISE membership interests (3)	\$ 2,880,000	\$ —
Net membership interests of RISE from transactions with Hedge Connection (1)	\$ 256,000	\$ —
Net membership interests exchange between Tigress and RISE (1)	\$ (93,000)	\$ —
Forgiveness of notes payable from Hedge Connection (1)	\$ 250,000	\$ —

Numbers are rounded for presentation purposes. See notes to consolidated financial statements.

(1) Refer to Note 3 – Transactions with Tigress and Hedge Connection and Note 11 – Equity Method Investments in Related Parties for further detail.

(2) Refer to Note 6 – Prepaid Service Contract for further detail.

(3) Refer to Note 4 – RISE for further detail.

# **SIEBERT FINANCIAL CORP. & SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

### **1. Organization**

#### **Overview**

Siebert Financial Corp., a New York corporation, incorporated in 1934, is a holding company that conducts the following lines of business through its wholly-owned and majority-owned subsidiaries:

- Muriel Siebert & Co., Inc. (“MSCO”) provides retail brokerage services. MSCO is a Delaware corporation and broker-dealer registered with the SEC under the Exchange Act and the Commodity Exchange Act of 1936, and member of FINRA, NYSE, SIPC, Euroclear, and NFA.
- Siebert AdvisorNXT, Inc. (“SNXT”) provides investment advisory services. SNXT is a New York corporation registered with the SEC as an RIA under the Investment Advisers Act of 1940.
- Park Wilshire Companies, Inc. (“PW”) provides insurance services. PW is a Texas corporation and licensed insurance agency.
- Siebert Technologies, LLC (“STCH”) provides technology development. STCH is a Nevada limited liability company.
- RISE Financial Services, LLC (“RISE”) is a Delaware limited liability company and a broker-dealer registered with the SEC and NFA.
- StockCross Digital Solutions, Ltd. (“STXD”) is an inactive subsidiary headquartered in Bermuda.

For purposes of this Annual Report on Form 10-K, the terms “Siebert,” “Company,” “we,” “us,” and “our” refer to Siebert Financial Corp., MSCO, SNXT, PW, STCH, RISE, and STXD collectively, unless the context otherwise requires.

The Company is headquartered in New York, NY, with primary operations in New Jersey, Florida, and California. The Company has 12 branch offices throughout the U.S. and clients around the world. The Company’s SEC filings are available through the Company’s website at [www.siebert.com](http://www.siebert.com), where investors can obtain copies of the Company’s public filings free of charge. The Company’s common stock, par value \$.01 per share, trades on the Nasdaq Capital Market under the symbol “SIEB.”

The Company primarily operates in the securities brokerage and asset management industry and has no other reportable segments. All of the Company’s revenues for the years ended December 31, 2022 and 2021 were derived from its operations in the U.S.

As of December 31, 2022, 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 from a consolidated perspective.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in conformity with U.S. GAAP as established by the FASB to ensure consistent reporting of financial condition. The consolidated financial statements include the accounts of Siebert and its wholly-owned and majority-owned subsidiaries. Upon consolidation, all intercompany balances and transactions are eliminated. The U.S. dollar is the functional currency of the Company and numbers are rounded for presentation purposes.

The Company’s investments in non-majority-owned partnerships and affiliates are accounted for using the equity method until such time that they become wholly or majority-owned. Earnings attributable to noncontrolling interests are recorded on the statements of operations relating to wholly or majority-owned subsidiaries with the appropriate noncontrolling interest that represents the portion of equity not related to the Company’s ownership interest recorded on the statements of financial condition in each period.

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of Siebert and its wholly-owned and majority-owned consolidated subsidiaries. Upon consolidation, all intercompany balances and transactions are eliminated. For the period of March 31, 2022 to October 18, 2022, the Company determined that RISE was a VIE for which the Company was the primary beneficiary. As discussed in more detail in Note 4 – RISE, as of October 18, 2022, the Company’s ownership in RISE increased to 68% and therefore the Company continues to consolidate RISE under the voting interest model (“VOE model”).

For consolidated subsidiaries that are not wholly-owned, the third-party holdings of equity interests are referred to as noncontrolling interests. The net income or loss attributable to noncontrolling interests for such subsidiaries is presented as net income or loss attributable to noncontrolling interests in the statements of operations. The portion of total equity that is attributable to noncontrolling interests for such subsidiaries is presented as noncontrolling interests in the statements of financial condition.

For investments in entities in which the Company does not have a controlling financial interest but has significant influence over its operating and financial decisions, the Company applies the equity method of accounting with net income and losses recorded in earnings of equity method investment in related parties.

### **Variable Interest Entities**

The Company evaluates whether an entity is a VIE and determines if the primary beneficiary status is appropriate on a quarterly basis. The Company consolidates a VIE for which it is the primary beneficiary. When assessing the determination of the primary beneficiary, the Company considers all relevant facts and circumstances, including factors such as the power to direct the activities of the VIE that most significantly impact its economic performance, the obligation to absorb the losses and/or the right to receive the expected returns of the VIE. If the Company determines that it is the primary beneficiary, the Company will consolidate the entity under the VIE model.

### **Segment Information**

The Company operates and reports financial information in one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assess performance. All the Company's revenues and substantially all of the Company's assets are attributed to or located in the United States.

### **Use of Estimates**

The preparation of consolidated financial statements 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Estimates are used in the allowance for credit losses, valuation of certain investments, 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.

### **Fair Value**

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

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

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

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

### Level 3 - Unobservable inputs for the asset or liability.

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

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

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

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

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

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

**Corporate bonds:** The fair value of corporate bonds is 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 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.

**Municipal securities:** Municipal securities are valued using recently executed transactions, market price quotations (when observable), bond spreads 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. Municipal securities are generally categorized in level 2 of the fair value hierarchy.

**Unit investment trusts ("UITs"):** Units of UITs are carried at redemption value, which represents fair value. Units of UITs are categorized as level 2.

**Options:** Options 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.

### **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 December 31, 2022 and 2021, the Company did not hold any cash equivalents.

As of December 31, 2022 and 2021, the Company maintained its cash balances at various financial institutions. These balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000 per institution. The Company is subject to credit risk to the extent that the financial institution with which it conducts business is unable to fulfill its contractual obligations and deposits exceed FDIC limits. At certain times, cash balances may exceed FDIC insured limits.

### **Cash and Securities Segregated For Regulatory Purposes**

MSCO is subject to Exchange Act Rule 15c3-3, referred to as the “Customer Protection Rule,” which requires segregation of funds in a special reserve account for the exclusive benefit of customers.

As of December 31, 2022, the Company had approximately \$135.2 million in cash deposits in special reserve accounts and \$141.0 million in securities segregated for regulatory purposes. As of December 31, 2021, the Company did not have any securities segregated for regulatory purposes.

### **Receivables From and Payables To Customers**

Receivables from and payables to customers include amounts due and owed on cash and margin transactions. Receivables from customers include margin loans to securities brokerage clients and other trading receivables. Margin loans are collateralized by customer securities and are carried at the amount receivable, net of an allowance for credit losses. Collateral is required to be maintained at specified minimum levels at all times. The Company monitors margin levels and requires customers to provide additional collateral, or reduce margin positions, to meet minimum collateral requirements if the fair value of the collateral changes. The Company expects the borrowers will continually replenish the collateral as necessary because the Company subjects the borrowers to an internal qualification process to align investing objectives and risk tolerance in addition to monitoring customer activity.

The Company elected the practical expedient for FASB ASC Topic 326 – “Financial Instruments – Credit Losses” (“Topic 326”) which permits it to compare the amortized cost basis of the loaned amount with the fair value of collateral received at the reporting date to measure the estimate of expected credit losses. The Company had no expectation of credit losses for its receivables from customers as of December 31, 2022 and 2021. Securities beneficially owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the statements of financial condition.

### **Receivables From, Payables To, and Deposits With Broker-Dealers and Clearing Organizations**

Receivables from and payables to broker-dealers and clearing organizations includes amounts receivables from or payables to MSCO and RISE clearing 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.

Amounts payables to broker-dealers and clearing organizations are offset against corresponding amounts receivables from broker-dealers and clearing organizations. Receivables from these broker-dealers and clearing organizations are subject to clearing agreements and include the net receivable from net monthly revenues as well as cash on deposit.

MSCO customer transactions for the years ended December 31, 2022 and 2021 were both self-cleared and cleared on a fully disclosed basis through NFS. RISE customer transactions for the years ended December 31, 2022 and 2021 were cleared on fully disclosed basis through GSCO and Pershing.

The Company signed a four-year renewal with NFS commencing August 1, 2021 and ending on July 31, 2025, and NFS’s fees are offset against the Company’s revenues on a monthly basis. All other broker-dealer and clearing organization relationships operate on a month-to-month basis.

Receivables from and deposits with broker-dealers and clearing organizations are in scope of the amended guidance for Topic 326. The Company continually reviews the credit quality of its counterparties and historically has not experienced a default. Further, management reassessed the risk characteristics of its receivables and applied the collateral maintenance practical expedient for the secured receivables in line with the CECL guidance. As a result, the Company had no expectation of credit losses for these arrangements as of December 31, 2022 and 2021.

## **Current Expected Credit Losses**

The Company follows Topic 326 which applies to financial assets measured at amortized cost, held-to-maturity debt securities and off-balance sheet credit exposures. For on-balance sheet assets, an allowance must be recognized at the origination or purchase of in-scope assets and represents the expected credit losses over the contractual life of those assets. Expected credit losses on off-balance sheet credit exposures must be estimated over the contractual period the Company is exposed to credit risk as a result of a present obligation to extend credit. The impact to the periods presented is not material since the Company's in-scope assets are primarily subject to collateral maintenance provisions for which the Company elected to apply the practical expedient of reporting the difference between the fair value of the collateral and the amortized cost for the in-scope assets as the allowance for current expected credit losses.

## **Securities Borrowed and Securities Loaned**

Securities borrowed transactions are recorded at the amount of cash collateral delivered to the counterparty. 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.

The Company can elect to use an approach to measure the allowance for credit losses using the fair value of collateral where the borrower is required to, and reasonably expected to, continually adjust and replenish the amount of collateral securing the instrument to reflect changes in the fair value of such collateral. The Company has elected to use this approach for its allowance for credit losses on securities borrowed. As a result of this election, and the fully collateralized nature of these arrangements, the Company had no expectation of credit losses on its securities borrowed balances as of December 31, 2022 and 2021.

## **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.

## **Property, Office Facilities, and Equipment, Net**

Property, office facilities, and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation for equipment is calculated using the straight-line method over the estimated useful lives of the assets, generally not exceeding four years. Office facilities are amortized over the shorter of their estimated useful life or the 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 office facilities. Depreciation for property is calculated using the straight-line-method over the estimated useful life of the property, not exceeding forty years.

## **Software, Net**

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

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

Other software costs such as routine maintenance and various data services are expensed as incurred.

## **Leases**

The Company reviews all relevant contracts to determine if the contract contains a lease at its inception date. A contract contains a lease if the contract conveys the right to control the use of an underlying asset for a period of time in exchange for consideration. If the Company determines that a contract contains a lease, it recognizes, in the statements of financial condition, a lease liability and a corresponding right-of-use asset on the commencement date of the lease. The lease liability is initially measured at the present value of the future lease payments over the lease term using the rate implicit in the lease or, if not readily determinable, the Company's secured incremental borrowing rate. An operating lease right-of-use asset is initially measured at the value of the lease liability minus any lease incentives and initial direct costs incurred plus any prepaid rent.

The Company's leases are classified as operating leases and consist of real estate leases for office space, data centers and other facilities. Each lease liability is measured using the Company's secured incremental borrowing rate, which is based on an internally developed rate based on the Company's size, growth, risk profile and a duration similar to the lease term. The Company's leases have remaining terms of approximately 1 to 4.5 years as of December 31, 2022. The Company does not include renewal options as the renewal options are not reasonably certain to be exercised; however, the Company continues to monitor the lease renewal options. The Company's operating leases contain both lease components and non-lease components. Non-lease components are distinct elements of a contract that are not related to securing the use of the underlying assets, such as common area maintenance and other management costs. The Company has elected the practical expedient to not separate lease and non-lease components, and as such, the variable lease cost primarily represents variable payments such as common area maintenance and utilities which are usually determined by the leased square footage in proportion to the overall office building.

Operating lease expense is recognized on a straight-line basis over the lease term and is included in line item "Rent and occupancy" in the statements of operations.

### **Equity Method Investments**

Investments in which the Company has the ability to exercise significant influence, but does not control, are accounted for under the equity method of accounting and are included in the line item "Equity method investment in related party" in the statements of financial condition. Under this method of accounting, the Company's share of the net income or loss of the investee is presented before the income before provision for income taxes on the statements of operations.

The Company evaluates its equity method investments whenever events or changes in circumstance indicate that the carrying amounts of such investments may be impaired. If the impairment is determined to be other-than-temporary, the Company will recognize an impairment loss equal to the difference between the expected realizable value and the carrying value of the investment.

### **Investments, Cost**

The Company measures equity investments (other than equity method investments, controlling financial interests that result in consolidation of the investee and certain other investments) at fair value and recognizes any changes in fair value in net income.

Pursuant to ASU 2020-01, the Company has made an accounting policy election to measure equity securities without readily determinable fair value at cost, less any impairment, adjusted for any changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

### **Intangible Assets, Net**

Certain identifiable intangible assets the Company acquires such as customer relationships and trade names are amortized over their estimated useful lives on a straight-line basis. Amortization expense associated with such intangible assets is included in the line item "Depreciation and amortization" on the statements of operations.

The Company evaluates intangible assets for impairment on an annual basis or when events or changes indicate the carrying value may not be recoverable. The Company also evaluates the remaining useful lives of intangible assets on an annual basis or when events or changes warrants the remaining period of amortization to be revised.

During the year ended December 31, 2021, the Company concluded that the intangible assets acquired from the acquisition of RISE were fully impaired. For the years ended December 31, 2022 and 2021, impairment loss related to intangible assets of \$0 and \$699,000 was recorded in the statements of operations, respectively.

### **Goodwill**

Goodwill represents the excess purchase price of businesses acquired over the fair value of the identifiable net assets acquired. Goodwill is not subject to amortization but rather is evaluated for impairment annually, or more frequently if events occur or circumstances change indicating it would more likely than not result in a reduction of the fair value of the reporting unit below its carrying value, including goodwill. Goodwill may be evaluated for impairment by performing a qualitative assessment. This qualitative assessment considers various financial, macroeconomic, industry, and reporting unit specific qualitative factors. If the qualitative assessment indicates that it is more likely than not that the fair value of the reporting unit is less than its carrying amount, including goodwill, or, if for any other reason the Company determines to it be appropriate, then a quantitative assessment will be performed. The

quantitative assessment process utilizes an income and market approach to arrive at an indicated fair value range for the reporting unit. The fair value calculated for the reporting unit is compared to its carrying amount, including goodwill, to ascertain if goodwill impairment exists. If the fair value exceeds the carrying amount, including goodwill for the reporting unit, it is not considered impaired. If the fair value is below the carrying amount, including goodwill for the reporting unit, then an impairment charge is recognized for the amount by which the carrying amount exceeds the calculated fair value, up to but not exceeding the amount of goodwill allocated to the reporting unit.

The Company's annual impairment test date is December 31. The Company completed a qualitative assessment for its reporting unit during its most recent annual impairment review. The Company concluded that it has one reportable segment and tests goodwill on a consolidated basis. Based on this qualitative assessment, the Company determined that there was no evidence of impairment to the balance of its goodwill as of December 31, 2022 and 2021.

### **Payables to Non-Customers**

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

### **Drafts Payable**

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

### **Deferred Contract Incentive**

The Company entered into an amendment with its agreement with NFS whereby the Company received a one-time business development credit of \$3 million, and NFS will pay the Company four annual credits of \$100,000, which are both recorded in the line item "Deferred contract incentive" on the statements of financial condition. Annual credits shall be paid on the anniversary of the date on which the first credit was paid. The business development credit and annual credits will be recognized as contra expense over four years and one year, respectively, in the line item "Clearing fees, including execution costs" on the statements of operations.

### **Revenue Recognition**

The primary sources of revenue for the Company are as follows:

#### ***Commissions and Fees***

The Company earns commission revenue for executing trades for clients in individual equities, options, insurance products, futures, fixed income securities, as well as certain third-party mutual funds and ETFs. The Company also earns commission revenue from an agreement with JonesTrading Institutional Service, LLC ("JonesTrading") whereby JonesTrading pays the Company a percentage of the net revenue produced by certain institutional customers less any related expenses. The Company earned \$137,000 in net revenue and \$22,000 in net expense for the years ended December 31, 2022 and 2021, respectively.

Commission revenue associated with combined trade execution and clearing services, as well as trade execution services on a standalone basis, is recognized at a point in time on the trade date when the performance obligation is satisfied. The performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon, and the risks and rewards of ownership have been transferred to / from the customer.

The Company enters into arrangements with managed accounts of other pooled investment vehicles (funds) to distribute shares to investors ("distribution fees"). The Company may receive distribution fees paid by the fund up front, over time, upon the investor's exit from the fund (that is, a contingent deferred sales charge), or as a combination thereof. The Company believes that its performance obligation is the sale of securities to investors and as such this is fulfilled on the trade date. Any fixed amounts are recognized on the trade date and variable amounts are recognized to the extent it is probable that a significant revenue reversal will not occur until the uncertainty is resolved. For variable amounts, as the uncertainty is dependent on the value of the shares at future points in time as well as the length of time the investor remains in the fund, both of which are highly susceptible to factors outside the Company's influence, the Company does not believe that it can overcome this constraint until the market value of the fund and the investor activities are known, which are usually monthly or quarterly. Distribution fees recognized in the current period are primarily related to performance obligations that have been satisfied in prior periods.

#### ***Principal Transactions and Proprietary Trading***

Principal transactions and proprietary trading primarily represent two business lines. The first business line is riskless transactions in which the Company, after executing a solicited order, buys or sells securities as principal and at the same time buys or sells the securities with a markup or markdown to satisfy the order. The second business line is entering into transactions where U.S. government securities and other securities are traded by the Company.

Principal transactions and proprietary trading are recognized at a point in time on the trade date when the performance obligation is satisfied. The performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon, and the risks and rewards of ownership have been transferred to / from the customer or trading counterparty.

### ***Market Making***

Market making revenue is generated from the buying and selling of securities. Market making transactions are recorded on a trade-date basis as the securities transactions occur. The performance obligation is satisfied on the trade date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon, and the risks and rewards of ownership have been transferred to / from the counterparty. Securities owned and securities sold, not yet purchased are recorded at fair market value at the end of the reporting period.

### ***Stock Borrow / Stock Loan***

The Company borrows securities on behalf of retail clients to facilitate short trading, loans excess margin and fully-paid securities from client accounts, facilitates borrow and loan contracts for broker-dealer counterparties, and provides stock locate services to broker-dealer counterparties. The Company recognizes self-clearing revenues net of operating expenses related to stock borrow / stock loan. Stock borrow / stock loan also includes any revenues generated from the Company's fully paid lending programs on a self-clearing or introducing basis. The Company does not utilize stock borrow / stock loan activities for the purpose of financing transactions.

The performance obligation is satisfied on the contract date because that is when the underlying financial instrument or purchaser is identified, the pricing is agreed upon, and the risks and rewards of ownership have been transferred to / from the counterparty.

For the year ended December 31, 2022, stock borrow / stock loan revenue was \$14,518,000 (\$33,883,000 gross revenue less \$19,365,000 expenses). For the year ended December 31, 2021, stock borrow / stock loan revenue was \$11,864,000 (\$29,441,000 gross revenue minus \$17,577,000 expenses).

### ***Advisory Fees***

The Company earns advisory fees associated with managing client assets. The performance obligation related to this revenue stream is satisfied over time; however, the advisory fees are variable as they are charged as a percentage of the client's total asset value, which is determined at the end of the quarter.

### ***Interest, Marketing and Distribution Fees***

The Company earns interest from clients' accounts, net of payments to clients' accounts, and on the Company's bank balances and securities. Interest income also includes interest payouts from introducing relationships related to short interest, net of charges.

The Company also earns margin interest which is the net interest charged to customers for holding financed margin positions. Marketing and distribution fees consist of 12b-1 fees which are trailing payments from money market funds. Interest, marketing and distribution fees are recorded as earned.

The Company enters into arrangements with managed accounts of other pooled investment vehicles (funds) to distribute shares to investors. The Company may receive distribution fees paid by the fund up front, over time, upon the investor's exit from the fund (that is, a contingent deferred sales charge), or as a combination thereof. The Company believes that its performance obligation is the sale of securities to investors and as such this is fulfilled on the trade date. Any fixed amounts are recognized on the trade date and variable amounts are recognized to the extent it is probable that a significant revenue reversal will not occur until the uncertainty is resolved. For variable amounts, as the uncertainty is dependent on the value of the shares at future points in time as well as the length of time the investor remains in the fund, both of which are highly susceptible to factors outside the Company's influence, the Company does not believe that it can overcome this constraint until the market value of the fund and the investor activities are known, which are usually monthly or quarterly. Distribution fees recognized in the current period are primarily related to performance obligations that



have been satisfied in prior periods.

### ***Other Income***

Other income represents fees generated from consulting services to technology providers, corporate services client fees, payment for order flow, and transactional fees generated from client accounts. Transactional fees are recorded concurrently with the related activity. Other income is recorded as earned.

### ***Costs to Obtain or Fulfill a Contract; Other***

For the periods presented, there were no costs capitalized related to obtaining or fulfilling a contract with a customer, and thus the Company has no balances for contract assets or contract liabilities. The Company concludes that its revenue streams have the same underlying economic factors, and as such, no disaggregation of revenue is required.

### ***Performance Obligation***

The following table presents each revenue category and its related performance obligation:

<b>Revenue Stream</b>	<b>Performance Obligation</b>
Commissions and fees, Principal transactions and proprietary trading, Market making, Stock borrow / stock loan, Advisory fees	Provide financial services to customers and counterparties
Stock borrow / stock loan	Provide financial services to customers and Counterparties, net of expenses
Marketing and distribution fees	Fixed: Provide financial services to customers and Counterparties, Variable: n/a, recorded as earned
Interest, Other income	N/A, recorded as earned

### ***Share-Based Compensation***

The Company grants share-based compensation, which is described in the Employee Benefit Plan section of Note 18 – Commitments, Contingencies, and Other. The Company accounts for share-based compensation in accordance with ASC Topic 718, “Compensation-Stock Compensation,” which establishes accounting for share-based compensation to employees for services. Under the provisions of ASC 718-10-35, share-based compensation cost is measured at the grant date, based on the fair value of the award on that date and is expensed at the grant date (for the portion that vests immediately) or ratably over the related vesting periods.

### ***Advertising and Promotion***

Advertising and promotion costs are expensed as incurred and were \$543,000 and \$44,000 for the years ended December 31, 2022, and 2021, respectively.

### ***Income Taxes***

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

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

The Company records uncertain tax positions in accordance with ASC 740 on the basis of a two-step process in which (1) the Company determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest

amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

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

### **Capital Stock**

The authorized capital stock of the Company consists of a single class of common stock. Shares authorized were 100 million as of both December 31, 2022 and 2021.

### **Per Share Data**

Basic earnings per share is calculated by dividing net income available to the Company's common stockholders by the weighted average number of outstanding common shares during the year. Diluted earnings per share is calculated by dividing net income available to the Company's common stockholders by the number of shares outstanding under the basic calculation and adding, all dilutive securities, which consist of options. The Company has no dilutive securities as of both December 31, 2022 and 2021.

### **Accounting Standards Adopted in Fiscal 2022**

The Company did not adopt any new accounting standards during the year ended December 31, 2022. In addition, the Company has evaluated other recently issued accounting standards and does not believe that any of these standards will have a material impact on the Company's financial statements and related disclosures as of December 31, 2022.

## **3. Transactions with Tigress and Hedge Connection**

### **Tigress**

#### ***Initial Transaction***

On November 16, 2021, the Company entered into an agreement with Tigress, a Delaware limited liability company, and a disabled and woman-owned financial services firm. As part of the agreement, (i) Tigress transferred to the Company limited liability company membership interests representing 24% of the outstanding membership interests in Tigress; and (ii) the Company transferred to Tigress limited liability company membership interests representing 24% of the outstanding membership interests of RISE and 1,449,525 shares of the Company's common stock. The Company's common stock was issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

#### ***Reorganization Agreement***

On October 18, 2022, the Company entered into a Reorganization Agreement ("Reorganization Agreement") with Tigress whereby the Company exchanged 7% of the outstanding membership interests in Tigress for all of Tigress' ownership interest in RISE. As of the date of this Report, the Company is currently evaluating the terms upon which it will transfer its remaining ownership of Tigress to Gloria E. Gebbia pursuant to the Reorganization Agreement.

The net loss as a result of this transaction was \$92,000, which is in the line item "Loss on sale of equity method investment in related parties" in the statements of operations.

#### ***Impairment***

As a result of the transaction described above as well as the fact that Tigress and the financial services industry had been impacted by adverse market conditions resulting in a decline in Tigress' performance and future projections, management concluded that a triggering event had occurred and evaluated if the investment in Tigress was other than temporarily impaired. Thus, the Company performed an impairment test as of October 18, 2022, and estimated the fair value of Tigress using the income and market approach. For the income approach, the Company utilized estimated discounted future cash flow expected to be generated by Tigress. For the market approach the Company utilized market multiples of revenue and earnings derived from comparable publicly-traded companies. Based upon the updated valuation, the Company recognized an impairment of \$4,015,000 which is included in line item "Impairment of equity method investment in related party" in the statements of operations.



## **Hedge Connection**

### ***Initial Transaction***

On January 21, 2022, RISE entered into an agreement with Hedge Connection, a Florida corporation and a woman-owned fintech company founded by Ms. Vioni that provides capital introduction software solutions for the prime brokerage industry.

Pursuant to the agreement, (i) Hedge Connection transferred to the Company common stock representing 20% of the outstanding post-closing issued and outstanding capitalization in Hedge Connection for a consideration of \$600,000, to be paid in three installments over 180 days, as well as approximately 3.33% of the issued and outstanding membership interests of RISE; (ii) the Company acquired an option from Ms. Vioni to acquire 100% of the remaining interest in Hedge Connection at fair value market at the time of the option exercise, provided such valuation of Hedge Connection is not less than \$5 million; (iii) the Company acquired a technology license agreement from Hedge Connection to use its capital introduction software, Fintroz, for an annual license fee of \$250,000; (iv) Ms. Vioni provided the Company with the right to appoint one director to the Board of Directors of Hedge Connection; and (v) Ms. Vioni was appointed to the Board of Directors of RISE as well as to the position of President of RISE Prime – Capital Introduction, a division of RISE.

### ***Termination Agreement***

On October 18, 2022, the Company entered into a Termination Agreement (“Termination Agreement”) with Hedge Connection and Ms. Vioni. Pursuant to the Termination Agreement, the parties terminated the Purchase Agreement, dated January 21, 2022. Under the terms of the Termination Agreement, the Company re-conveyed to Hedge Connection, Hedge Connection common stock representing 20% of Hedge Connection and the related option from Ms. Vioni to acquire 100% of Ms. Vioni’s remaining interest in Hedge Connection in exchange for 3.17% of RISE and the cancellation of the Company’s obligation to repay the remaining \$250,000 of its note payable to Hedge Connection.

The Termination Agreement also terminates the Hedge Connection technology license agreement. Pursuant to the Termination Agreement, the Company shall assign to Tigress prospective prime brokerage customers of the Company who were solicited by the Company from January 1, 2022 through the closing date of the Reorganization Agreement. In exchange, Tigress will split revenue with the Company on certain customers pursuant to the Reorganization Agreement. The revenue recorded from this agreement was immaterial for the year ended December 31, 2022.

The net loss as a result of this transaction was \$627,000, which is in the line item “Loss on sale of equity method investment in related parties” in the statements of operations. The components that resulted in the net loss of \$627,000 were the writing off of the carrying value of the Company’s investment in Hedge Connection of \$1,020,000, offset by the forgiveness of the notes payable to Hedge Connection of \$250,000 as well as the net return of RISE treasury stock of \$143,000.

## **4. RISE**

During the first quarter of 2022, RISE issued and Siebert sold membership interests in RISE to certain employees, directors, and affiliates of RISE and Siebert.

From January 1, 2022 through March 30, 2022, RISE issued 8.3% of RISE’s total issued and outstanding membership interests in exchange for a net increase in assets of \$1,000,000. Siebert sold membership interests representing 2% of RISE’s total issued and outstanding membership interests to Siebert employees and affiliates. Through March 30, 2022, Siebert continued to hold a majority ownership interest in RISE.

On March 31, 2022, Siebert exchanged \$2,880,000 in aggregate of notes payable to Gloria E. Gebbia for 24% ownership interest in RISE. As a result of the aforementioned transactions, Siebert’s direct ownership percentage in RISE declined from 76% as of December 31, 2021 to approximately 44% as of March 31, 2022.

The change in membership interest on March 31, 2022 required Siebert to reassess its interest in RISE in accordance with Accounting Standards Codification (“ASC”) Topic 810 – Consolidation. As of March 31, 2022, Siebert determined that RISE was a VIE as the equity holders lack the characteristics of a controlling financial interest. Siebert holds a variable interest in RISE and is the primary beneficiary of RISE since it holds both the power to direct the activities of RISE that most significantly impact RISE’s economic performance, as well as the obligation to absorb losses and right to receive the returns from RISE that would be significant to RISE.

Accordingly, Siebert consolidated RISE as a VIE for the period from March 31, 2022 through October 18, 2022. As a result of the transactions described in Note 3 – Transactions with Tigress and Hedge Connection, Siebert’s ownership in RISE increased to 68%, and therefore Siebert continued to consolidate RISE from October 18, 2022 through December 31, 2022 under the VOE model.

As of December 31, 2022, RISE reported assets of \$1.3 million and liabilities of \$0.1 million. As of December 31, 2021, RISE reported assets of \$3.3 million and liabilities of \$0.7 million. There are no restrictions on the consolidated VIE’s assets.

## 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 periods indicated:

	As of December 31, 2022	As of December 31, 2021
Receivables from and deposits with broker-dealers and clearing organizations		
DTCC / OCC / NSCC <sup>(1)</sup>	\$ 8,187,000	\$ 10,968,000
GSCO	31,000	335,000
Pershing	96,000	1,193,000
NFS	2,006,000	974,000
Securities fail-to-deliver	3,000	174,000
Globalshares	82,000	55,000
Other receivables	—	27,000
Total Receivables from and deposits with broker-dealers and clearing organizations	\$ 10,405,000	\$ 13,726,000
Payables to broker-dealers and clearing organizations		
Securities fail-to-receive	\$ 396,000	\$ 254,000
Payables to broker-dealers	264,000	—
Total Payables to broker-dealers and clearing organizations	\$ 660,000	\$ 254,000

<sup>(1)</sup> Depository Trust and Clearing Corporation is referred to as (“DTCC”), Options Clearing Corporation is referred to as (“OCC”), and National Securities Clearing Corporation is referred to as (“NSCC”).

Under the DTCC shareholders’ agreement, MSCO is required to participate in the DTCC common stock mandatory purchase. As of December 31, 2022 and 2021, MSCO had shares of DTCC common stock valued at approximately \$1,054,000 and \$905,000, respectively, which are included in the line item “Deposits with broker-dealers and clearing organizations” on the statements of financial condition.

In September 2022, MSCO and RISE entered into a clearing agreement whereby RISE would introduce clients to MSCO. As part of the agreement, RISE deposited a clearing fund escrow deposit of \$50,000 to MSCO. The resulting asset of RISE and liability of MSCO are eliminated in consolidation. There was no income or expense related to this clearing relationship for the year ended December 31, 2022.

The Company is in the process of terminating its clearing relationships with GSCO and Pershing as of December 31, 2022. As of the date of this report, the Company is no longer doing active business with these clearing vendors, and anticipates the full termination of these relationships by the end of the first quarter of 2023.

## 6. Prepaid Service Contract

In April 2020, the Company entered into an agreement with a technology partner in which the Company paid the technology partner \$1.0 million and 193,906 shares of the Company’s restricted common stock for a total of \$2.1 million in exchange for services to develop a new client and back end interface as well as related functionalities for the Company’s key operations. In addition, the Company agreed to pay an annual license fee of \$600,000 for this software.

In February 2022, the Company entered into a Consulting Services Agreement (“CSA”) with the technology partner, whereby the Company would provide certain consulting services over an 18-month period. The consulting fee income was recognized on a straight-line basis over the service period. The Company recorded a total of \$1.7 million for the year ended December 31, 2022 from the technology partner which is included in the line item “Other income” on the statements of operations.

In September 2022, the Company and the technology partner mutually agreed to terminate the services being provided under both the original agreement as well as the CSA. Per the terms of the respective termination agreements, neither the Company nor the technology partner will have any further obligations to provide future services. As part of the termination, the technology partner returned 193,906 shares of the Company's common stock previously issued. The Company wrote off the remaining balance of the prepaid service contract of \$532,000 and the Company received \$950,000 which is included in the line item "Other income" on the statements of operations.

The expense related to share-based payments to the technology partner for professional services was \$239,000 and \$376,000 for the years ended December 31, 2022 and 2021, respectively. The total expense related to the technology partner was \$711,000 and \$959,000 for the years ended December 31, 2022 and 2021, respectively, which is included in "Technology and communications" on the statements of operations.

## 7. Fair Value Measurements

### Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The tables below present, by level within the fair value hierarchy, financial assets and liabilities, measured at fair value on a recurring basis for the periods indicated. As required by ASC Topic 820, financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the respective fair value measurement.

	As of December 31, 2022			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash and securities segregated for regulatory purposes				
U.S. government securities	\$ 140,978,000	\$ —	\$ —	\$ 140,978,000
<b>Securities owned, at fair value</b>				
U.S. government securities	\$ 2,808,000	\$ —	\$ —	\$ 2,808,000
Certificates of deposit	—	92,000	—	92,000
Municipal securities	—	52,000	—	52,000
Corporate bonds	—	7,000	—	7,000
Equity securities	63,000	182,000	—	245,000
Total Securities owned, at fair value	\$ 2,871,000	\$ 333,000	\$ —	\$ 3,204,000
<b>Liabilities</b>				
Securities sold, not yet purchased, at fair value				
Equity securities	\$ 2,000	\$ —	\$ —	\$ 2,000
Total Securities sold, not yet purchased, at fair value	\$ 2,000	\$ —	\$ —	\$ 2,000
<b>As of December 31, 2021</b>				
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Securities owned, at fair value				
U.S. government securities*	\$ 2,966,000	\$ —	\$ —	\$ 2,966,000
Certificates of deposit	—	91,000	—	91,000
Corporate bonds	—	12,000	—	12,000
Equity securities	489,000	433,000	—	922,000
Total Securities owned, at fair value	\$ 3,455,000	\$ 536,000	\$ —	\$ 3,991,000
<b>Liabilities</b>				
Securities sold, not yet purchased, at fair value				
Equity securities	\$ —	\$ 24,000	\$ —	\$ 24,000
Total Securities sold, not yet purchased, at fair value	\$ —	\$ 24,000	\$ —	\$ 24,000

\*As of December 31, 2021, the U.S. government securities had a maturity date of August 15, 2024.

As of December 31, 2022, the Company had U.S. government securities with the below market values and maturity dates:

	<b>As of December 31, 2022</b>
Market value of U.S. government securities	
Maturing 03/23/2023, 3.750% Discount Rate	\$ 24,768,000
Maturing 05/18/2023, 2.700% Discount Rate	9,831,000
Maturing 08/31/2023, 1.375% Coupon Rate	9,777,000
Maturing 12/31/2023, 0.750% Coupon Rate	62,497,000
Maturing 01/31/2024, 0.875% Coupon Rate	23,995,000
Maturing 05/31/2024, 2.500% Coupon Rate	9,707,000
Maturing 08/15/2024, 0.375% Coupon Rate	2,808,000
Accrued interest	404,000
Total Market value of investment in U.S. government securities	<u>\$ 143,787,000</u>

### Financial Assets Measured at Fair Value on a Non-Recurring Basis

The following table represents information for assets measured at fair value on a nonrecurring basis and display the carrying value after measurement as of the periods indicated. The fair value measurement is nonrecurring as these assets are measured at fair value only when there is a triggering event (e.g., an evidence of impairment). Assets included in the table are those that were impaired during the respective reporting periods and that are still held as of the reporting date. The estimated fair values for these amounts were determined using significant unobservable inputs (Level 3).

	<b>As of December 31, 2022</b>	<b>2021</b>
Equity method investment in related party	\$ 2,584,000	\$ —

As a result of the transaction discussed Note 3 – Transactions with Tigress and Hedge Connection, the Company recognized an impairment charge for its investment in Tigress of approximately \$4,015,000 for the year ended December 31, 2022. The fair value of the Company's investment in Tigress was determined using the income and market approach. For the income approach, the Company utilized estimated discounted future cash flow expected to be generated by Tigress. For the market approach, the Company utilized market multiples of revenue and earnings derived from comparable publicly-traded companies.

### Financial Assets and Liabilities Not Carried at Fair Value

**Short-term financial instruments:** The carrying value of short-term financial instruments, including cash and cash equivalents as well as 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. Securities segregated for regulatory purposes consist solely of U.S. government securities and are included in the fair value hierarchy table above. Cash and cash equivalents and cash and securities segregated for regulatory purposes are classified as level 1.

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

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

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

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

Deferred contract incentive: The carrying amount of the deferred contract incentive approximates fair value due to the relative short-term nature of the liability. Under the fair value hierarchy, the deferred contract incentive is classified as level 2.

Long-term debt: The carrying amount of the loan and mortgage with East West Bank approximates fair value as they reflect terms that approximate current market terms for similar arrangements. Under the fair value hierarchy, the loan and mortgage are classified as level 2.

Investments, cost: The Company's non-marketable equity securities are investments in privately held companies without readily determinable market values. Due to the absence of quoted market prices, the inherent lack of liquidity and the fact that inputs used to measure fair value are unobservable and require management's judgment. As there is no readily determinable fair value, the carrying amount of these investments minus impairment approximates the fair value. The cost will be adjusted upwards or downwards in accordance with observable market transactions and is recorded in the line item "Other general and administrative" in the statements of operations. Under the fair value hierarchy, the investments, cost is classified as level 3.

## 8. Property, Office Facilities, and Equipment, Net

Property, office facilities, and equipment consisted of the following as of the periods indicated:

	As of December 31,	
	2022	2021
Property	\$ 6,815,000	\$ 6,815,000
Office facilities	2,616,000	1,608,000
Equipment	674,000	413,000
Total Property, office facilities, and equipment	10,105,000	8,836,000
Less accumulated depreciation	(1,777,000)	(1,373,000)
Total Property, office facilities, and equipment, net	\$ 8,328,000	\$ 7,463,000

Total depreciation expense for property, office facilities, and equipment was \$404,000 and \$410,000 for the years ended December 31, 2022 and 2021, respectively.

### Miami Office Building

On December 30, 2021, the Company purchased the Miami office building located at 653 Collins Ave, Miami Beach, FL ("Miami office building"). The Miami office building contains approximately 12,000 square feet of office space and will serve as a primary operating center of the Company.

For the year ended December 31, 2022, no depreciation expense was recorded for the Miami office building. Depreciation expense will commence when the build out of the Miami office building is completed and placed in service, which is expected to occur in the first quarter of 2023. The Company invested \$985,000 and \$0 in the years ended December 31, 2022 and 2021, respectively, to build out the Miami office building.

## 9. Software, Net

Software consisted of the following as of the periods indicated:

	As of December 31,	
	2022	2021
Robo-advisor	\$ 763,000	\$ 763,000
Other software	3,342,000	2,512,000
Total Software	4,105,000	3,275,000
Less accumulated amortization – robo-advisor	(763,000)	(763,000)
Less accumulated amortization – other software	(2,351,000)	(1,760,000)
Total Software, net	\$ 991,000	\$ 752,000

In the fourth quarter of 2022, the Company partnered with a technology partner to develop a new retail trading platform for the Company's customers and integrate the trading platform into the Company's operations. The total software development work related to this project was \$241,000 for the year ended December 31, 2022. Amortization expense will commence when the retail trading

platform is launched and placed into service, which is expected to occur in the second quarter of 2023.

Total amortization of software was \$590,000 and \$925,000 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, the Company estimates future amortization of software assets of \$429,000, \$336,000, \$197,000, and \$29,000, in the years ended December 31, 2023, 2024, 2025, and 2026, respectively.

## 10. Leases

As of December 31, 2022, all of the Company's leases are classified as operating and primarily consist of office space leases expiring in 2023 through 2027. The Company elected not to include short-term leases (i.e., leases with initial terms of less than twelve months), or equipment leases (deemed immaterial) on the statements of financial condition. 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 statements of operations rather than capitalizing them as lease right-of-use assets. The balance of the lease right-of-use assets and lease liabilities are displayed on the statements of financial condition and the below tables display further detail on the Company's leases.

Lease Term and Discount Rate	As of December 31, 2022	As of December 31, 2021
Weighted average remaining lease term – operating leases (in years)	2.7	2.9
Weighted average discount rate – operating leases	5.0%	5.0%

	Year Ended December 31,	
	2022	2021
Operating lease cost	\$ 1,299,000	\$ 1,653,000
Short-term lease cost	366,000	97,000
Variable lease cost	290,000	180,000
Total Rent and occupancy	\$ 1,955,000	\$ 1,930,000
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,380,000	\$ 1,665,000
Lease right-of-use assets obtained in exchange for new lease liabilities		
Operating leases	\$ 888,000	\$ 1,966,000

## Lease Commitments

Future annual minimum payments for operating leases with initial terms of greater than one year as of December 31, 2022 were as follows:

Year	Amount
2023	\$ 1,246,000
2024	588,000
2025	450,000
2026	234,000
2027	48,000
Remaining balance of lease payments	2,566,000
Less: Difference between undiscounted cash flows and discounted cash flows	163,000
Lease liabilities	\$ 2,403,000

## 11. Equity Method Investments in Related Parties

Tigress



The Company's investment in Tigress is accounted for under the equity method of accounting. In determining whether the investment in Tigress should be accounted for under the equity method of accounting, the Company considered the guidance under ASC 323, Investments – Equity Method and Joint Ventures. Prior to the Reorganization Agreement, the Company maintained 24% ownership interest in Tigress, which represented a significant ownership level, the Company and Tigress had common representation on their respective Board of Directors, and certain employees of Tigress were also employees of RISE. Based on these criteria, the Company determined that it was able to exercise significant influence over Tigress, and therefore the equity method of accounting applied for this investment.

After the Reorganization Agreement, the Company owned 17% of Tigress. The Company concluded that it still had significant influence over Tigress due to the representation of Gloria E. Gebbia on the Board of Directors of Tigress. Therefore, the Company continues to account for this investment under the equity method of accounting as of December 31, 2022.

Under the equity method, the Company recognizes its share of Tigress' income or loss in the line item "Earnings of equity method investment in related parties" in the statements of operations. The Company has elected to classify distributions received from equity method investees using the cumulative earnings approach. The loss recognized from the Company's investment in Tigress was \$16,000 for the year ended December 31, 2022. The earnings recognized from the Company's investment in Tigress was \$172,000 for the year ended December 31, 2021.

The Company received cash distributions from Tigress of \$259,000 for the year ended December 31, 2022. The Company did not receive any cash distributions from Tigress in 2021; however, RISE made a distribution of \$156,000 to Siebert in 2021 in lieu of a corresponding distribution from Tigress. As of December 31, 2022 and 2021, the carrying amount of the investment in Tigress was \$2,584,000 and \$8,156,000, respectively. There were no events or circumstances suggesting the carrying amount of the investment was impaired as of December 31, 2022 and 2021.

Below is a table showing the summary from the consolidated statements of operations and financial condition for Tigress for the periods indicated (unaudited):

	Year Ended December 31,	
	2022	2021
Revenue	\$ 8,432,000	\$ 15,000,000
Operating income (loss)	\$ (132,000)	\$ 4,800,000
Net income (loss)	\$ (132,000)	\$ 4,800,000

  

	As of December 31,	
	2022	2021
Assets	\$ 8,169,000	\$ 10,793,000
Liabilities	\$ 5,301,000	\$ 6,096,000
Stockholders' Equity	\$ 2,868,000	\$ 4,697,000

## Hedge Connection

Prior to the Termination Agreement, the Company determined that it was able to exercise significant influence over Hedge Connection as the Company had a significant level of ownership and had the right to appoint a director to Hedge Connection's Board of Directors. As such, the equity method of accounting applied for this investment, and the Company recognized \$20,000 from its investment in Hedge Connection during the year ended December 31, 2022, which is in the line item "Earnings of equity method investment in related parties" in the statements of operations.

The Company did not receive any cash distributions from Hedge Connection for the year ended December 31, 2022. As of December 31, 2022 and 2021, the carrying amount of the investment in Hedge Connection was both \$0.

## 12. Investments, Cost

### OpenHand

#### Initial Transaction

On January 31, 2021, the Company and OpenHand entered into a stock purchase agreement whereby the Company acquired an interest of 5% of OpenHand common stock for consideration of a total of \$2,231,000 consisting of \$850,000 in cash and 329,654



restricted shares of the Company’s common stock valued at \$1,381,000 or \$4.19 per share. The Company’s common stock was issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

The value of the Company’s restricted stock was determined using the thirty-day trading average. The Company agreed to register the shares issued to OpenHand by filing a selling shareholder registration statement. The Company also received an option to purchase an additional 7.5% of OpenHand for approximately \$4.5 million, based upon a \$60 million valuation of OpenHand. This option expires 18 months after the launch of the OpenHand platform.

**Termination Agreement**

On August 18, 2021, the Company and OpenHand agreed to terminate their working relationship. In connection therewith, the Company and OpenHand amended and restated their January 31, 2021 stock purchase agreement to provide that the Company would pay \$850,000 in cash in exchange for 2% of the outstanding common stock of OpenHand as of January 31, 2021, and receive a 15-month option to purchase an additional 2% of the outstanding common stock of OpenHand at an exercise price equal to a company valuation of \$42.5 million. The parties agreed to rescind OpenHand’s purchase of the 329,654 restricted shares of the Company’s common stock.

No value was attributed to the option because it was not a derivative and there were no transaction costs associated with this option, and the option expired in November 2022.

The investment does not have a readily determinable fair value since OpenHand is a private company and its shares are not publicly traded. The Company made an accounting policy election to measure this investment at cost less any impairment adjusted for any changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

For the year ended December 31, 2021, there was a loss on sale of \$63,000 as a result of the August 18, 2021 amendment which is included in the line item “Other general and administrative” on the statements of operations. As of both December 31, 2022 and 2021, the carrying value of the Company’s investment in OpenHand was \$850,000, and management concluded that the Company’s investment in OpenHand is not impaired and that no additional events or changes in circumstances were identified that could have a significant effect on the original valuation of the investment.

**13. Long-Term Debt**

**Mortgage with East West Bank**

**Overview**

On December 30, 2021, the Company purchased the Miami office building for approximately \$6.8 million, which was partially financed through a ten year mortgage with East West Bancorp, Inc. (“East West Bank”). The mortgage was for approximately \$4 million with a commitment for another \$338,000 to finance part of the build out of the Miami office building. The Company has utilized its commitment of \$338,000 as of December 31, 2022.

The Company’s obligations under the mortgage are secured by a lien on the Miami office building and the term of the loan is ten years. The repayment schedule will utilize a 30-year amortization period, with a balloon on the remaining amount due at the end of ten years. The interest rate is 3.6% for the first 7 years, and thereafter the interest rate shall be at the prime rate as reported by the Wall Street Journal, provided that the minimum interest rate on any term loan will not be less than 3.6%. As part of the agreement, the Company must maintain a debt service coverage ratio of 1.4 to 1. The loan is subject to a prepayment penalty over the first five years which is calculated as a percentage of the principal amount outstanding at the time of prepayment. This percentage is 5% in the first year and decreases by 1% each year thereafter, with the prepayment penalty ending after 5 years. As of December 31, 2022, the Company was in compliance with all of its covenants related to this agreement.

**Remaining Payments**

Future remaining annual minimum principal payments for the mortgage with East West Bank as of December 31, 2022 were as follows:

Amount
--------

2023	\$ 75,000
2024	84,000
2025	88,000
2026	91,000
Thereafter	4,048,000
<b>Total</b>	<b>\$ 4,386,000</b>

The interest expense related to this mortgage was \$143,000 and \$0 for the years ended December 31, 2022, and 2021, respectively. As of December 31, 2022, the interest rate for this mortgage was 3.6%.

## Loan with East West Bank

### Overview

On July 22, 2020, the Company entered into a loan and security agreement with East West Bank. In accordance with the terms of this agreement, the Company had the ability to borrow term loans in an aggregate principal amount not to exceed \$10 million during the two-year period after July 22, 2020. The Company originally borrowed approximately \$5.0 million and had an outstanding balance of \$2.7 million as of December 31, 2022. The Company's ability to borrow an additional \$5.0 million available on its loan with East West Bank expired on July 22, 2022.

The Company's obligations under the agreement are secured by a lien on all of the Company's cash, dividends, stocks and other monies and property from time to time received or receivable in exchange for the Company's equity interests in and any other rights to payment from the Company's subsidiaries; any deposit accounts into which the foregoing is deposited and all substitutions, products, proceeds (cash and non-cash) arising out of any of the foregoing. Each term loan will have a term of four years, beginning when the draw is made. The repayment schedule will utilize a five-year (60 month) amortization period, with a balloon on the remaining amount due at the end of four years.

Term loans made pursuant to the agreement shall bear interest at the prime rate as reported by the Wall Street Journal, provided that the minimum interest rate on any term loan will not be less than 3.25%. In addition to the foregoing, on the date that each term loan is made, the Company shall pay to the lender an origination fee equal to 0.25% of the principal amount of such term loan. Pursuant to the loan agreement, the Company paid all lender expenses in connection with the loan agreement.

This agreement contains certain financial and non-financial covenants. The financial covenants are that the Company must maintain a debt service coverage ratio of 1.35 to 1, an effective tangible net worth of a minimum of \$25 million, and MSCO must maintain a net capital ratio that is not less than 10% of aggregate debit items. Certain other non-financial covenants include that the Company must promptly notify East West Bank of the creation or acquisition of any subsidiary that at any time owns assets with a value of \$100,000 or greater. As of December 31, 2022, the Company was in compliance with all its covenants related to this agreement.

In addition, the Company's obligations under the agreement are guaranteed pursuant to a guarantee agreement by and among, John J. Gebbia and Gloria E. Gebbia, individually, and as a co-trustees of the John and Gloria Living Trust, U/D/T December 8, 1994 ("John and Gloria Gebbia Trust").

### Remaining Payments

Future remaining annual minimum principal payments for the loan with East West Bank as of December 31, 2022 were as follows:

	<b>Amount</b>
2023	\$ 998,000
2024	1,661,000
<b>Total</b>	<b>\$ 2,659,000</b>

The interest expense related to the loan was \$144,000 and \$138,000 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, the interest rate for this loan was 7.5%.

## 14. Notes Payable - Related Party

During 2022 the Company had notes payable to Gloria E. Gebbia and Hedge Connection of \$3 million and \$600,000, respectively; however, as of December 31, 2022, the Company had no outstanding balance on these notes payables.

As of December 31, 2021, the Company had various notes payable to Gloria E. Gebbia, the details of which are presented below:

Description	Issuance Date	Face Amount	Unpaid Principal Amount
4.00% due December 30, 2022**	December 30, 2021	\$ 2,000,000	\$ 2,000,000
4.00% due June 30, 2022**	December 31, 2021	2,000,000	2,000,000
4.00% due November 30, 2022***	November 30, 2020	3,000,000	3,000,000
Total Notes payable – related party		<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>

\*\*On March 31, 2022, \$2,880,000 in aggregate of notes payable to Gloria E. Gebbia was exchanged for 24% ownership interest in RISE. During the year ended December 31, 2022, the Company paid the remainder of these notes payable.

\*\*\*This note payable is subordinated to MSCO and is subordinated to the claims of general creditors, approved by FINRA, and is included in MSCO's calculation of net capital and the capital requirements under FINRA and SEC regulations. On August 17, 2021, this note payable was renewed with a maturity of November 30, 2022.

The Company's interest expense for these notes payable for the years ended December 31, 2022 and 2021 was \$151,000 and \$206,000, respectively. The Company's interest payable related to these notes payable was \$0 as of both December 31, 2022 and 2021.

## 15. Deferred Contract Incentive

Effective August 1, 2021, MSCO entered into an amendment to its clearing agreement with NFS that, among other things, extends the term of their arrangement for an additional four-year period commencing on August 1, 2021 and ending July 31, 2025.

As part of this agreement, the Company received a one-time business development credit of \$3 million from NFS, and NFS will pay the Company four annual credits of \$100,000, which are recorded in the line item "Deferred contract incentive" on the statements of financial condition. Annual credits shall be paid on the anniversary of the date on which the first credit was paid. The business development credit and annual credits will be recognized as contra expense over four years and one year, respectively, in the line item "Clearing fees, including execution costs" on the statements of operations. The amendment also provides for an early termination fee if the Company chooses to end its agreement before the end of the contract term.

In relation to this agreement, the Company recognized \$850,000 and \$354,000 in contra expense for the years ended December 31, 2022, and 2021, respectively. The balance of the deferred contract incentive was approximately \$2.0 million and \$2.7 million as of December 31, 2022 and 2021, respectively.

## 16. Principal Transactions and Proprietary Trading

In 2022 the Company invested in treasury bill and treasury notes, which are primarily in the line item "Cash and securities segregated for regulatory purposes" on the statements of financial condition, in order to enhance its yield on its excess 15c3-3 deposits. During 2022, there was an increase in U.S. government securities yields, which created an unrealized loss of approximately \$3.9 million on the Company's U.S. government securities portfolio for the year ended December 31, 2022. The aggregate unrealized loss on the portfolio will be returned over the duration of the government securities, at a point no later than the maturity of the securities. The maturities of the government securities are primarily in 2023 and the latest maturity is August 2024.

The following table represents the detail related to principal transactions and proprietary trading.

**Year Ended December 31,**

	2022	2021	(Year over Year Decrease)
Principal transactions and proprietary trading			
Realized and unrealized gain on primarily riskless principal transactions	\$ 7,643,000	\$ 15,675,000	\$ (8,032,000)
Unrealized loss on portfolio of U.S. government securities	(3,900,000)	(28,000)	(3,872,000)
Total Principal transactions and proprietary trading	\$ 3,743,000	\$ 15,647,000	\$ (11,904,000)

## 17. Soft Dollar Arrangement

For certain clients of RISE, the Company had soft dollar and commission sharing arrangements with customers that fall both within, and outside of, the safe harbor provisions of Rule 28(e) of the Securities Exchange Act of 1934 ("Rule 28(e)"), as amended. These soft dollar arrangements were determined to be a separate performance obligation that should be allocated a portion of the transaction price.

Under these arrangements, the Company charged additional dollars on customer trades and used these fees to pay third parties for research, brokerage services, market data, and related expenses ("research services") on behalf of clients. The Company was an agent in these arrangements, as it did not control the research services before they were transferred to the customer. As such, the revenue from these agreements were recognized net of cost in the line item "Commissions and fees" on the statements of operations.

The Company paid client expenses of approximately \$8,000 and \$625,000 for the years ended December 31, 2022 and 2021, respectively. The Company did not have an outstanding receivable or payable as of December 31, 2022 related to these arrangements.

As of both December 31, 2022 and 2021, no allowance for uncollectible commissions was necessary as the Company believes all commissions receivable will be realized.

## 18. Referral Fees

In relation to the operations of RISE, the Company had agreements with various third parties to share commissions and pay fees as defined in the respective agreements. These expenses were approximately \$0 and \$1,213,000 for the years ended December 31, 2022 and 2021, respectively, which are in the line item "Referral fees" on the statements of operations.

## 19. Income Taxes

In August 2022, the Inflation Reduction Act ("IRA") and CHIPS and Science Act ("CHIPS Act") were both enacted. This new legislation includes the implementation of a new corporate alternative minimum tax, an excise tax on stock buybacks, and tax incentives for energy and climate initiatives, among other provisions. The income tax provisions of the IRA or the CHIPS Act had limited applicability to the Company and did not have a material impact on the Company's financial statements.

The Company's provision for (benefit from) income taxes is comprised of the following:

	Year Ending December 31,	
	2022	2021
Current		
Federal	\$ (749,000)	\$ 1,084,000
State and local	104,000	114,000
Total Current	(645,000)	1,198,000
Deferred		
Federal	\$ (305,000)	96,000
State and local	(350,000)	427,000
Total Deferred	(655,000)	523,000
Total Provision for (benefit from) income taxes	\$ (1,300,000)	\$ 1,721,000

The Company's effective tax rate differs from the U.S. federal statutory income tax rate of 21% for the periods indicated are as follows:

	Year Ending December 31,	
	2022	2021
Federal statutory income tax rate	21.0 %	21.0 %
Tax amortization of intangible assets	6.5 %	(4.1 %)
Non-deductible fines and penalties	— %	0.8 %
Share based compensation	— %	1.0 %
Permanent differences	(6.1 %)	0.8 %
State and local taxes, net of federal benefit	9.4 %	5.6 %
Change in valuation allowance	2.0 %	— %
Other	(2.5 %)	0.4 %
Effective tax rate	30.3 %	25.5 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

	As of December 31,	
	2022	2021
Deferred tax assets:		
Net operating losses	\$ 5,023,000	\$ 5,437,000
Lease liabilities	648,000	749,000
Share-based compensation	—	—
Investment in Tigress	775,000	—
Investment in RISE	10,000	140,000
Accrued compensation	—	62,000
Other	45,000	13,000
Subtotal	6,501,000	6,401,000
Less: valuation allowance	(978,000)	(1,070,000)
Total Deferred tax assets	\$ 5,523,000	\$ 5,331,000
Deferred tax liabilities:		
Fixed assets	\$ (1,126,000)	\$ (892,000)
Share-based compensation	—	(145,000)
Total Deferred tax liabilities	(1,126,000)	(1,037,000)
Net Deferred tax assets	\$ 4,397,000	\$ 4,294,000

In assessing the Company's ability to recover its deferred tax assets, the Company evaluated whether it is more likely than not that some portion or the entire deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible and/or net operating losses can be utilized. The Company considered all positive and negative evidence when determining the amount of the net deferred tax assets that are more likely than not to be realized. This evidence includes, but is not limited to, historical earnings, scheduled reversal of taxable temporary differences, tax planning strategies and projected future taxable income.

Based on historical operating profitability, positive trend of earnings and projected future taxable income, the Company concluded as of December 31, 2022 that its U.S. deferred tax assets are realizable on a more-likely-than-not basis with the exception of certain investments that will result in future capital losses which are only available to offset capital gain income and certain state net operating losses. The amount of the Company's valuation allowance decreased \$92,000 during 2022. The Company will continue to

evaluate its deferred tax assets to determine whether any changes in circumstances could affect the realization of their future benefit. If it is determined in future periods that portions of the Company's deferred income tax assets satisfy the realization standards, the valuation allowance will be reduced accordingly.

As of December 31, 2021, the Company had U.S. federal net operating loss carryforwards of approximately \$8.2 million of which \$6.4 million expires in varying amounts in 2035 and 2036 if not utilized but available to offset 100% of future taxable income and \$1.8 million which is permitted to be carried forward indefinitely but only available to offset 80% of future taxable income. Approximately \$6.4 million of the U.S. federal net operating loss carryforwards are subject to annual limitation under Section 382.

A reconciliation of the beginning and ending amount of unrecognized tax benefits, excluding interest and penalties, is as follows:

	<b>Amount</b>
Balance as of December 31, 2020	\$ 1,105,000
Additions for tax positions taken during current year	1,315,000
Additions for tax positions taken during prior year	—
Reductions for tax positions taken during prior years	(2,000)
Settlements	—
Expirations of statutes of limitations	—
Balance as of December 31, 2021	\$ 2,418,000
Additions for tax positions taken during current year	—
Additions for tax positions taken during prior year	12,000
Reductions for tax positions taken during prior years	(834,000)
Settlements	—
Expirations of statutes of limitations	—
Balance as of December 31, 2022	\$ 1,596,000

Of the amounts reflected above as of December 31, 2022, the entire amount would reduce the Company's effective tax rate if recognized. The Company records accrued interest and penalties related to income tax matters as part of the provision for income taxes. For the years ended December 31, 2022 and 2021, the Company recognized expense related to interest and penalties on unrecognized tax benefits of \$100,000 and \$27,000, respectively. For the years ended December 31, 2022 and 2021, the accrued balance of interest and penalties on unrecognized tax benefits was \$127,000 and \$27,000, respectively. The Company does not believe that the amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

The Company files a federal income tax return and income tax returns in various state tax jurisdictions. The Company is not currently under examination by the IRS or any state or local taxing authority for any tax year. The open tax years for the federal and state income tax filings is generally 2019 through 2022.

## 20. Capital Requirements

### MSCO

#### *Net Capital*

MSCO is subject to the Uniform Net Capital Rules of the SEC (Rule 15c3-1) of the Exchange Act. 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 December 31, 2022, MSCO's net capital was \$30.6 million, which was approximately \$29.2 million in excess of its required net capital of \$1.4 million, and its percentage of aggregate debit balances to net capital was 44.49%.

As of December 31, 2021, MSCO's net capital was \$36.4 million, which was approximately \$34.3 million in excess of its required net capital of \$2.1 million, and its percentage of aggregate debit balances to net capital was 34.9%.

#### *Special Reserve Account*

MSCO is subject to Customer Protection Rule 15c3-3 which requires segregation of funds in a special reserve account for the exclusive benefit of customers. As of December 31, 2022, MSCO had cash and securities deposits of \$276.2 million (cash of \$135.2



million, securities with a fair value of \$141.0 million) in the special reserve accounts which was \$11.9 million in excess of the deposit requirement of \$264.3 million. The Company made no subsequent deposits or withdrawals on January 3, 2023.

As of December 31, 2021, MSCO had cash deposits of \$326.8 million in the special reserve accounts which was \$31.9 million in excess of the deposit requirement of \$294.9 million. After adjustments for deposit(s) and / or withdrawal(s) made on January 3, 2022, MSCO had \$1.9 million in excess of the deposit requirement.

## **RISE**

### ***Net Capital***

RISE, as a member of FINRA, is subject to the SEC Uniform Net Capital Rule 15c3-1. This rule 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 and that equity capital may not be withdrawn, or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. RISE is also subject to the CFTC's minimum financial requirements which require that RISE maintain net capital, as defined, equal to the greater of its requirements under Regulation 1.17 under the Commodity Exchange Act or Rule 15c3-1.

As of December 31, 2022, RISE's net capital was approximately \$1.2 million which was \$0.9 million in excess of its minimum requirement of \$250,000 under 15c3-1. As of December 31, 2021, RISE's net capital was approximately \$1.7 million which was \$1.4 million in excess of its minimum requirement of \$250,000 under 15c3-1.

## **21. Financial Instruments With Off-Balance Sheet Risk**

### **Credit Risk**

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

In the event the counterparties 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 counterparties involved in the transactions. It is the Company's policy to review, as necessary, the credit standing of each counterparty with which it conducts business. The Company has experienced no material historical losses in relation to its counterparties for the years ended December 31, 2022 and 2021.

### **Off-Balance Sheet Risks**

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 their 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, and is 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 requirements and internal guidelines which meet or exceed regulatory requirements. The Company monitors required margin levels daily and pursuant to such guidelines, requires customers to deposit additional collateral or to reduce positions when necessary.



The Company's customer financing and securities settlement activities may require the Company to pledge customer securities as collateral in support of various secured financing sources such as bank loans and securities loaned. In the event the counterparty is unable to meet its contractual obligation to return customer securities pledged as collateral, the Company may be exposed to the risk of acquiring the securities at prevailing market prices in order to satisfy its customer obligations. The Company seeks to mitigate 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 continuously monitors compliance.

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

As of December 31, 2022, the Company had margin loans extended to its customers of approximately \$365.4 million, of which \$52.1 million is in the line item "Receivables from customers" on the statements of financial condition. As of December 31, 2021, the Company had margin loans extended to its customers of approximately \$581.8 million, of which \$84.2 million is in the line item "Receivables from customers" on the statements of financial condition. There were no material losses for unsettled customer transactions for the years ended December 31, 2022 and 2021.

## **22. 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.

For activity related to operations of StockCross prior to the Company's acquisition of StockCross, FINRA's Division of Enforcement is currently investigating UIT transactions that were executed by StockCross that the enforcement staff believes were terminated early. The Company believes that many of these transactions were UIT transactions that were the subject of its prior settlements with the Commonwealth of Massachusetts (Dkt. No. E-2017-0104) and the State of California (CRD No.s: 6670 and 2400211). All of these transactions occurred prior to the Company's acquisition of StockCross on January 1, 2020.

Management cannot at this time assess either the duration or the likely outcome or consequences of the FINRA investigation. Nevertheless, FINRA has the authority to impose sanctions on the Company or require that it make offers of restitution to other customers who FINRA believes incurred sales charges in early liquidations of UITs. No assurances can be given that a mutual settlement with FINRA regarding the investigation can be reached or that any amount paid in settlement will not be material.

As of December 31, 2022, all other legal matters are without merit or involve amounts which would not have a material impact on the Company's results of operations or financial position.

### **Overnight Financing**

As of December 31, 2022 and 2021, MSCO had an available line of credit for short term overnight demand borrowing with BMO Harris Bank ("BMO Harris") of up to \$25 million and \$15 million, respectively. As of those dates, MSCO had no outstanding loan balance and there were no commitment fees or other restrictions on the line of credit. On May 23, 2022, MSCO increased its principal amount for this line of credit from \$15 million to \$25 million. The Company utilizes customer or firm securities as a pledge for short-term borrowing needs.

The interest expense for this credit line was \$2,000 and \$17,000 for the years ended December 31, 2022 and 2021, respectively. There were no fees associated with the utilization of this credit line for the years ended December 31, 2022 and 2021.

### **At the Market Offering**

On May 27, 2022, the Company entered into a Capital on Demand<sup>TM</sup> Sales Agreement (the "Sales Agreement") with JonesTrading as agent, pursuant to which the Company may offer and sell, from time to time through JonesTrading, shares of the Company's common stock having an aggregate offering amount of up to \$9.6 million under the Company's shelf registration statement on Form S-3. The Company is not obligated to make any sales of shares under the Sales Agreement. The Company agreed to pay JonesTrading a commission rate equal to 3.0% of the aggregate gross proceeds from each sale of shares. The Company or JonesTrading may suspend or terminate the offering upon notice to the other party and subject to other conditions. Whether the Company sells

securities under the Sales Agreement will depend on a number of factors, including the market conditions at that time, the Company's cash position at that time and the availability and terms of alternative sources of capital.

For the year ended December 31, 2022, the Company did not sell any shares pursuant to this Sales Agreement. For the year ended December 31, 2022, the Company incurred approximately \$98,000 in legal and audit fees related to this Sales Agreement, which are in the line item "Professional services" on the statements of operations, and were expensed as incurred.

### **NFS Contract**

Effective August 1, 2021, MSCO entered into an amendment to its clearing agreement with NFS that, among other things, extends the term of the arrangement through July 31, 2025. If the Company chooses to exit this agreement before the end of the contract term, the Company is under the obligation to pay an early termination fee upon occurrence pursuant to the table below:

<b>Date of Termination</b>	<b>Early Termination Fee</b>
Prior to August 1, 2023	\$ 7,250,000
Prior to August 1, 2024	\$ 4,500,000
Prior to August 1, 2025	\$ 3,250,000

For the years ended December 31, 2022 and 2021, there has been no expense recognized for any early termination fees. The Company believes that it is unlikely it will have to make material payments related to early termination fees and has not recorded any contingent liability in the financial statements related to this arrangement.

### **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 statements 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 statements for these indemnifications.

The Company, through its affiliate, KCA is self-insured with respect to employee health claims. KCA maintains stop-loss insurance for certain risks and has a health claim reinsurance limit capped at approximately \$65,000 per employee as of December 31, 2022.

The estimated liability for self-insurance claims is initially recorded in the year in which the event of loss occurs and may be subsequently adjusted based upon new information and cost estimates. Reserves for losses represent estimates of reported losses and estimates of incurred but not reported losses based on past and current experience. Actual claims paid and settled may differ, perhaps significantly, from the provision for losses. This adds uncertainty to the estimated reserves for losses. Accordingly, it is at least possible that the ultimate settlement of losses may vary significantly from the amounts included in the financial statements. The Company believes that its present insurance coverage and reserves are sufficient to cover currently estimated exposures, but there can be no assurance that the Company will not incur liabilities in excess of recorded reserves or in excess of its insurance limits.

As part of this plan, the Company recognized expenses of \$1,529,000 and \$1,405,000 for the years ended December 31, 2022 and 2021, respectively.

The Company had an accrual of \$86,000 as of December 31, 2022, which represents the historical estimate of future claims to be recognized for claims incurred during the period.

## 23. Employee Benefit Plans

The Company, through KCA, sponsors a defined-contribution retirement plan under Section 401(k) of the Internal Revenue Code that covers substantially all employees of the Company. 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 or KCA for the years ended December 31, 2022 and 2021.

On September 17, 2021, the Company's shareholders approved the Siebert Financial Corp. 2021 Equity Incentive Plan (the "Plan"). The Plan provides for the grant of stock options, restricted stock, and other equity awards of the Company's common stock to employees, officers, consultants, directors, affiliates and other service providers of the Company. There were 3 million shares reserved under the Plan, 296,000 shares were issued during the year ended December 31, 2022, and 2,704,000 shares remained as of December 31, 2022. The Company did not issue any shares for the year ended December 31, 2021.

The Company granted 296,000 restricted stock units at a weighted average price of \$1.56 to employees and consultants of the Company for the year ended December 31, 2022. These units were fully vested upon grant date and the Company recognized equity stock compensation expense of \$461,000 in the line item "Employee compensation and benefits" in the statements of operations for the year ended December 31, 2022.

## 24. Related Party Disclosures

### KCA

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 for payroll and related functions, the entirety of which KCA passes through to the subsidiaries of the Company proportionally. In addition, KCA sponsors a defined-contribution retirement plan under Section 401(k) of the Internal Revenue Code that covers substantially all employees of the Company.

KCA owns a license from the Muriel Siebert Estate / Foundation to use the names "Muriel Siebert & Co., Inc." and "Siebert" within business activities, which expires in 2025. KCA passed through to the Company its cost of \$60,000 in each of the years ended December 31, 2022 and 2021 for the use of these names.

For the years ended December 31, 2022 and 2021, KCA has earned no profit for providing any services to the Company as KCA passes through any revenue or expenses to the Company's subsidiaries.

### PW

PW brokers the insurance policies for related parties. Revenue for PW from related parties was \$129,000 and \$70,000 for the years ended December 31, 2022 and 2021, respectively.

### Gloria E. Gebbia, John J. Gebbia, and Gebbia Family Members

On March 31, 2022, Gloria E. Gebbia exchanged approximately \$2.9 million of her notes payable to the Company for 24% of the outstanding and issued membership interests in RISE.

The Company entered into various debt agreements with Gloria E. Gebbia, the Company's principal stockholder, which have been paid back as of December 31, 2022. Refer to Note 14 – Notes Payable – Related Party for additional detail.

The Company's obligations under its loan with East West Bank are guaranteed pursuant to a guarantee agreement by and among, John J. Gebbia and Gloria E. Gebbia, individually, and as co-trustees of the John and Gloria Gebbia Trust. Refer to Note 13 – Long-Term Debt for additional detail.

Gloria E. Gebbia has extended loans to certain Company employees for the purchase of the Company's shares. These transactions have not materially impacted the Company's financial statements.

The sons of Gloria E. Gebbia and John J. Gebbia hold executive positions within the Company's subsidiaries and their compensation was in aggregate \$2,427,000 and \$1,179,000 for the years ended December 31, 2022 and 2021, respectively. Part of their compensation includes performance-based payments related to key revenue streams.

### **Gebbia Sullivan County Land Trust**

The Company operates on a month-to-month lease agreement for its branch office in Omaha, Nebraska with the Gebbia Sullivan County Land Trust, the trustee of which is a member of the Gebbia Family. For the years ended December 31, 2022 and 2021, rent expense was \$60,000 for this branch office.

### **Tigress, Hedge Connection, Ms. DiBartolo, and Ms. Vioni**

The Company has entered into various agreements and subsequent terminations with Tigress and its CEO, Ms. DiBartolo as well as Hedge and its founder, Ms. Vioni. Refer to Note 3 – Transactions with Tigress and Hedge Connection and Note 11– Equity Method Investment in Related Parties for further detail.

### **RISE**

During the year ended 2022, RISE issued and Siebert sold membership interests of RISE to Siebert employees, directors and affiliates. Refer to Note 4 – RISE for further detail.

### **25. Subsequent Events**

The Company has evaluated events that have occurred subsequent to December 31, 2022 and through March 29, 2023, the date of the filing of this report.

Management has determined 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 consolidated financial statements as of December 31, 2022.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

## ITEM 9A. CONTROLS AND PROCEDURES

### Disclosure Controls and Procedures

We carried out an evaluation, under the supervision and with the participation of our management, including our Executive Vice President/Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report pursuant to Rule 13a-15(e) or Rule 15d-15(e) of the Exchange Act. Based on that evaluation, our management, including the Executive Vice President/Chief Financial Officer, concluded that our disclosure controls and procedures are effective to ensure that the information we are required to disclose in reports that we file or submit under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and to ensure that information required to be disclosed is accumulated and communicated to our management, including our Executive Vice President/Chief Financial Officer, to allow timely decisions regarding required disclosure.

Based on its evaluation, our management, including our Executive Vice President/Chief Financial Officer, concluded that as of the end of the period covered by this annual report, our disclosure controls and procedures were effective.

### Changes in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f)) was identified during the year ended December 31, 2022, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

### Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as that term is defined in Exchange Act Rule 13a-15(f)). Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets; provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements.

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our Company have been detected. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management does not expect that the Company's disclosure controls and procedures or its internal control over financial reporting will prevent or detect all errors and all fraud.

To evaluate the effectiveness of our internal control over financial reporting, we use the 2013 framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "2013 COSO Framework"). Using the 2013 COSO Framework, our management, including our Executive Vice President/Chief Financial Officer, evaluated our internal control over financial reporting and concluded that our internal controls over financial reporting were effective as of December 31, 2022 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

## ITEM 9B. OTHER INFORMATION

None.

## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

#### Identification of Directors

The names of our Directors and their ages, positions, and biographies are set forth below.

#### **Gloria E. Gebbia**

Age 80

Gloria E. Gebbia is the managing manager of KCA. Ms. Gebbia was an owner and a director of StockCross. Additionally, Ms. Gebbia also serves as the President of Associates for Breast and Prostate Cancer Research, a non-profit organization that raises funds for the John Wayne Cancer Institute, which, under Ms. Gebbia's leadership, has raised over \$16 million for breast and prostate cancer research.

#### **John J. Gebbia**

Age 84

From February 2017 to May 2020, John J. Gebbia served as a Special Advisor to the Board of Directors. John J. Gebbia commenced his employment in the brokerage industry in 1959. In 1962, Mr. Gebbia became Executive Vice President of Walston & Company. After becoming CEO of Jesup & Lamont, an institutional brokerage firm, Mr. Gebbia purchased the company in 1983. Thereafter, Mr. Gebbia owned and/or controlled various brokerage firms including Kennedy Cabot & Co., which was sold in 1997 to Toronto Dominion Bank for \$160,000,000.

#### **Charles A. Zabatta**

Age 80

Charles A. Zabatta served as a consultant to StockCross from 2011 until 2016, acting as its head of Corporate Development. Mr. Zabatta has and continues to have a distinguished and successful career, predominately in the financial services industry, including holding various positions with the New York Stock Exchange, Paine Webber, Securities Settlement Corp., Josephthal Lyon & Ross, Kennedy Cabot & Co. and TD Waterhouse. Mr. Zabatta's creative business skills have been instrumental in several acquisitions of small to midsize companies in various industries. Mr. Zabatta currently advises on capital raising, general business structure and management. Previously, Mr. Zabatta has served as a member of the board of Knight Capital and Kennedy Cabot & Co. Currently, Mr. Zabatta serves on the board of Paraco Gas Corporation, a large privately held independent energy company in the Northeast. Mr. Zabatta holds a B.A. in Industrial Psychology from Iona College.

#### **Francis V. Cuttita**

Age 54

Francis V. Cuttita is a Senior Partner of Cuttita, LLP, a New York based law firm. Mr. Cuttita has over 26 years of practicing law in the areas of real estate and business transactions, media, sports and entertainment. Mr. Cuttita's list of clients include Fortune 100 corporations, CEOs, hedge fund managers, legendary professional athletes, entertainment icons and Grammy award winning musicians. Mr. Cuttita also serves as an advisor to several national financial, insurance and sports businesses and is an active supporter and member of various nonprofit organizations. Mr. Cuttita graduated from Swarthmore College and received his law degree from Fordham University School of Law.

#### **Andrew H. Reich**

Age 67

Andrew H. Reich has served as Executive Vice President, Chief Financial Officer and Assistant Secretary of the Company since December 16, 2016. Prior thereto, Andrew H. Reich served in a variety of executive positions with StockCross from 2002 until 2016. Additionally, Mr. Reich is the owner of Aarianna Realty Inc., a real estate company. Mr. Reich has more than 30 years of experience in the financial industry, including more than 14 years as senior management of StockCross. Mr. Reich holds a M.B.A. from the University of Southern California and a B.B.A. from the Bernard Baruch College.



**Jerry M. Schneider, CPA**  
Age 78

Jerry M. Schneider is a certified public accountant and has over 40 years of relevant accounting experience. Mr. Schneider is licensed to practice public accounting in New York and Florida and is a member of the American Institute of Certified Public Accountants, the New York State Society of Certified Public Accountants and the Florida Institute of Certified Public Accountants. Mr. Schneider was the Managing Partner of Schneider & Associates LLP, a CPA firm with approximately 20 professional staff and was the driving force in that firm's growth and development until it merged with Marks Paneth LLP in 2008. From January 2011 to December 31, 2017, Mr. Schneider was a Partner Emeritus and Senior Consultant at Marks Paneth LLP. Mr. Schneider is also a member of the Board of Directors of Prometheus, Inc., a company that is authorized by FINRA to run an AST for the general public for digital asset securities. In 2018, Mr. Schneider was appointed to the Board of Directors and the Audit Committee of Fiduciary Trust International South (a subsidiary of Fiduciary Trust International, which is owned by Franklin Templeton). In December 2019, Mr. Schneider was elected to be the chairman of the Audit Committee and was appointed to the Board of Directors of the Trust Committee of Fiduciary Trust International South. Mr. Schneider's practice was concentrated in the areas of business planning, high net worth individuals, manufacturing, retailing, securities broker-dealers, the hospitality industry, private educational institutions and estate planning.

**Identification of Executive Officers**

<b>Name</b>	<b>Age</b>	<b>Position</b>
Andrew H. Reich	67	Executive Vice President, Chief Operating Officer, Chief Financial Officer and Secretary
		Andrew H. Reich has served as Executive Vice President, Chief Financial Officer and Assistant Secretary of the Company since December 16, 2016. Prior thereto, Andrew H. Reich served in a variety of executive positions with StockCross from 2002 until 2016. Additionally, Mr. Reich is the owner of Arianna Realty Inc., a real estate company. Mr. Reich has more than 30 years of experience in the financial industry, including more than 14 years as senior management of StockCross. Mr. Reich holds a M.B.A. from the University of Southern California and a B.B.A. from the Bernard Baruch College.

**Corporate Governance**

***Board Meetings***

The Board of Directors held 4 regular meetings and 8 special meetings during 2022. Each incumbent director attended at least 75% of his or her Board of Directors meetings and all of his or her committee meetings.

***Controlled Company***

We are a "Controlled Company" as defined in Rule 5615(c)(1) of the Nasdaq Stock Market because Gloria E. Gebbia and her family members hold more than 50% of our voting power for the election of directors. As a Controlled Company, we are not required to have a majority of our Board of Directors comprised of independent directors, a compensation committee comprised solely of independent directors, or a nominating committee comprised solely of independent directors.

***Audit Committee of the Board of Directors***

The Audit Committee of our Board of Directors currently consists of Mr. Schneider, Chairman, Mr. Zabatta and Mr. Cuttita. The Board of Directors has determined that Mr. Schneider, Mr. Zabatta and Mr. Cuttita is each an "independent director" within the meaning of Rule 5605 (a)(2) of the Nasdaq Stock Market and within the meaning of the applicable rules and regulations of the SEC.

The Audit Committee held 6 meetings during 2022.

The Board of Directors has determined that Mr. Schneider qualifies as an "audit committee financial expert" under the applicable rules of the SEC.

The Audit Committee was established to (i) assist the Board of Directors in its oversight responsibilities regarding the integrity of our financial statements, our compliance with legal and regulatory requirements and our auditor's qualifications and independence, (ii) prepare the report of the Audit Committee contained herein, (iii) retain, consider the continued retention and termination of our



independent auditors, (iv) approve audit and non-audit services performed by our independent auditors and (v) perform any other functions from time to time delegated by the Board of Directors. The Board of Directors has adopted a written charter for the Audit Committee, which is available on our website at [www.siebert.com/company/investor-relations/shareholder-information](http://www.siebert.com/company/investor-relations/shareholder-information).

### ***Compensation Committee of the Board of Directors***

The Compensation Committee of our Board of Directors currently consists of Mr. Zabatta and Mr. Cuttita. The Compensation Committee reviews and determines all forms of compensation provided to our executive officers and directors. The Compensation Committee will administer a stock option and other employee benefit plans. The Compensation Committee does not function pursuant to a formal written charter, and as a Controlled Company, we are not required to comply with the Nasdaq Stock Market's independence requirements. The Compensation Committee held no meetings during 2022.

The Compensation Committee will evaluate the performance of our executive officers in terms of our operating results and financial performance and will determine their compensation in connection therewith.

In accordance with general practice in the securities industry, our executive compensation includes base salaries, an annual discretionary cash bonus, and equity incentives that are intended to align the financial interests of our executives with the returns to our shareholders.

As part of its oversight of the Company's executive compensation, the Compensation Committee will consider the impact of the Company's executive compensation, and the incentives created by the compensation awards that it administers, on the Company's risk profile. In addition, the Compensation Committee will review the Company's compensation policies and procedures, including the incentives that they create and factors that may reduce the likelihood of excessive risk taking, to determine whether they present a significant risk to the Company.

### ***Nominating Committee of the Board of Directors***

The Nominating Committee of the Board of Directors currently consists of Mr. Zabatta and Mr. Cuttita. The Nominating Committee does not function pursuant to a formal written charter, and as a Controlled Company, we are not required to comply with the Nasdaq Stock Market's independence requirements. The Nominating Committee did not meet in 2022.

The purpose of the Nominating Committee is to identify individuals qualified to become members of our Board of Directors and to recommend to the Board of Directors or the shareholders that such individuals be selected for directorship. In identifying and evaluating nominees for director, the Nominating Committee considers each candidate's experience, integrity, background and skills as well as other qualities that the candidate may possess and factors that the candidate may be able to bring to the Board of Directors. We do not have a formal policy with regard to the consideration of diversity in identifying director nominees. However, the Board of Directors believes that it is essential that its members represent diverse viewpoints, with a broad array of experiences, professions, skills, geographic representation and backgrounds that, when considered as a group, provide a sufficient mix of perspectives to allow the Board of Directors to best fulfill its responsibilities to the long-term interests of our shareholders.

The Nominating Committee will consider shareholder nominees for election to our Board of Directors. In evaluating such nominees, the Nominating Committee will use the same selection criteria the Nominating Committee uses to evaluate other potential nominees.

### ***Indemnification of Officers and Directors***

We are parties to indemnification agreements with our executive officers and directors and indemnify them to the extent permitted by applicable law against liabilities incurred as a result of their service to us and against liabilities incurred as a result of their service as directors of other corporations when serving at our request. We have a director's and officer's liability insurance policy, underwritten by the American International Group, Inc.

### ***Annual Shareholders Meeting Attendance Policy***

It is the policy of our Board of Directors that all our directors are strongly encouraged to attend each annual shareholder meeting. All of our directors attended the 2022 annual meeting of shareholders.

### ***Code of Ethics***

We have adopted a Code of Ethics for Senior Financial Officers applicable to our Chief Executive Officer, Chief Financial

Officer, Treasurer, Controller, Principal Accounting Officer, and any of our other employees performing similar functions. A copy of the Code of Ethics for Senior Financial Officers is available on our website at [www.siebert.com/company/investor-relations/shareholder-information](http://www.siebert.com/company/investor-relations/shareholder-information).

### ***Board Leadership Structure and Board of Directors***

Our Board of Directors does not have a chairman nor a lead independent director. The Company believes this structure allows all of the directors to participate in the full range of the Board of Director's responsibilities with respect to its oversight of the Company's management. The Board of Directors has determined that this leadership structure is appropriate given the size of the Company, the number of directors overseeing the Company, and the Board of Directors' oversight responsibilities.

The Board of Directors intends to hold at least four regular meetings each year to consider and address matters involving the Company. The Board of Directors also may hold special meetings to address matters arising between regular meetings. These meetings may take place in person or by telephone. The independent directors also regularly meet in executive sessions outside the presence of management. The Board of Directors has access to legal counsel for consultation concerning any issues that may occur during or between regularly scheduled Board meetings. As discussed above, the Board has established an Audit Committee, a Compensation Committee and a Nominating Committee to assist the Board in performing its oversight responsibilities.

### ***Board of Directors' Role in Risk Oversight***

Consistent with its responsibility for oversight of the Company, the Board of Directors, among other things, oversees risk management of the Company's business affairs directly and through the committee structure that it has established. The principal risks associated with the Company are risks related to securities market volatility and the securities industry, lower price levels in the securities markets, intense competition in the brokerage industry, extensive government regulation, net capital requirements, customers' failure to pay, an increase in volume on our systems or other events which could cause them to malfunction, reliance on information processing and communications systems, continuing changes in technology, dependence on the ability to attract and retain key personnel, the ability of our principal shareholder to control many key decisions, and there may be a limited public market for our common stock, among other risks and uncertainties detailed in under Part I, Item 1A - Risk Factors of this Form 10-K as well as in our filings with the SEC.

The Board of Directors' role in the Company's risk oversight process includes regular reports from senior management on areas of material risk to the Company, including operational, financial, legal, regulatory, strategic and reputational risks. The full Board of Directors (or the appropriate committee) receives these reports from management to identify and discuss such risks.

The Board of Directors periodically reviews with management its strategies, techniques, policies and procedures designed to manage these risks. Under the overall supervision of the Board of Directors, management has implemented a variety of processes, procedures and controls to address these risks.

The Board of Directors requires management to report to the full Board of Directors on a variety of matters at regular meetings of the Board of Directors and on an as-needed basis, including the performance and operations of the Company and other matters relating to risk management. The Audit Committee also receives reports from the Company's independent registered public accounting firm on internal control and financial reporting matters. These reviews are conducted in conjunction with the Board of Directors' risk oversight function and enable the Board of Directors to review and assess any material risks facing the Company.

### **10b5-1 Plans**

Andrew H. Reich, Gloria E. Gebbia, Charles Zabatta, Francis V. Cuttita, and certain employees of Siebert entered into 10b5-1 plans in September 2021 and the plans expired in November 2022.

### **Compliance with Section 16(a) of the Exchange Act**

Section 16(a) of the Exchange Act requires our executive officers and directors and persons who beneficially own more than 10% of our common stock to file initial reports of ownership and reports of changes in ownership with the SEC. These executive officers, directors and shareholders are required by the SEC to furnish us with copies of all forms they file pursuant to Section 16(a).

Based upon a review of Section 16(a) forms furnished to the Company, except as disclosed below, the Company believes that all applicable Section 16(a) filing requirements were met during the year ended December 31, 2022.

### ***Delinquent Section 16(a) Reports***

On November 30, 2022, Ms. DiBartolo reported on Form 3 her resignation from the Company's Board of Directors. Ms. DiBartolo did not file an initial Form 3 when she became a director of the Company in November 2021. On December 14, 2022, Richard Gebbia reported a family gift on Form 4 one day after the two-day reporting period.

## Advisors to the Company

### Senior Advisors

John M. Gebbia and Richard Gebbia, sons of Gloria E. Gebbia, are Co-CEO's of MSCO and serve as Registered Principals and associated persons of MSCO. Before the close of the acquisition of StockCross, they were also serving as executive officers and directors of StockCross. Both Richard Gebbia and John M. Gebbia have extensive experience in the securities industry and work with MSCO and senior management of the Company to identify cost saving opportunities and improvements to the Company's business.

John M. Gebbia has been in the brokerage industry in various capacities since 1990. Mr. Gebbia was the President and CEO of Kennedy Cabot & Co., from 1992 to 1997 when it was acquired by Toronto Dominion Bank. Thereafter he was active with various Gebbia family businesses. From 2007 to 2020, Mr. Gebbia was associated with StockCross, most recently as a Director and its Executive Vice President.

Richard S. Gebbia has been in the brokerage industry since 1993. From 2007 to 2020, Mr. Gebbia was associated with StockCross in various capacities. Mr. Gebbia was the CEO and a Director of StockCross.

David J. Gebbia has been in the brokerage industry since 1993. Mr. Gebbia is currently the President of the Company's insurance subsidiary, PW.

## ITEM 11. EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table presents the annual compensation paid to or earned by our current Executive Vice President, Chief Operating Officer and Chief Financial Officer (the "Named Executive Officer") during the years ended December 31, 2022 and 2021.

Name and Principal Position	Year	Salary	Bonus	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Non-Qualified Deferred Compensation Earnings	Other Compensation	Totals
Andrew H. Reich*	2022	\$225,000	\$ 25,000	\$32,000	—	—	—	—	\$282,000
	2021	\$225,000	\$125,000	—	—	—	—	—	\$350,000

\* Represents the dollar amount recognized for financial statement reporting in accordance with ASC 718. Mr. Reich was named to the positions of Executive Vice President, Chief Operating Officer and Chief Financial Officer effective December 16, 2016.

### Outstanding Equity Awards as of December 31, 2022

As of December 31, 2022, the Company had 296,000 shares of common stock outstanding and fully vested as part of equity compensation.

### Employment Agreements

We are not a party to an employment agreement with any Named Executive Officer. All of our Named Executive Officers are employees at will.

### Option Agreements

As of December 31, 2022, we had no option agreements with our Named Executive Officers.

### Compensation of Directors

The following table discloses the cash, equity awards, and other compensation earned, paid, or awarded, as the case may be, to each of the Company's directors during the year ended December 31, 2022.

Name	Fees Earned or Paid in Cash	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
Gloria E. Gebbia	—	—	—	—	—	—	—
John J. Gebbia	—	—	—	—	—	—	—
Andrew H. Reich	—	—	—	—	—	—	—
Francis V. Cuttita	\$ 106,000	—	—	—	—	—	\$ 106,000
Charles Zabatta	\$ 106,000	—	—	—	—	—	\$ 106,000
Jerry M. Schneider	\$ 106,000	—	—	—	—	—	\$ 106,000
Cynthia DiBartolo	—	—	—	—	—	—	—

### Audit Committee Report to Shareholders

The Audit Committee has reviewed and discussed with management the audited financial statements for the fiscal year ended December 31, 2022. The Audit Committee has also discussed with our independent registered public accounting firm the matters required to be discussed by Auditing Standards No. 16, adopted by the PCAOB (United States) regarding, “Communications with Audit Committees,” including our critical accounting policies and our interests, if any, in “off-balance sheet” entities. Additionally, the Audit Committee has received the written disclosures and representations from the independent registered public accounting firm required by applicable requirements of the PCAOB (United States) regarding “Communication with Audit Committees Concerning Independence.”

Based on the review and discussions referred to within this report, the Audit Committee recommended to the Board of Directors that the audited financial statements for the fiscal year ended December 31, 2022 be included in Siebert Financial Corp.’s Annual Report on Form 10-K for filing with the SEC.

Audit Committee,  
Jerry M. Schneider, CPA, Chairman  
Charles Zabatta  
Francis V. Cuttita

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table lists share ownership of our common stock as of March 20, 2023. The information includes beneficial ownership by each of our directors and the Named Executive Officers, all directors and executive officers as a group and beneficial owners known by our management to hold at least 5% of our common stock. Except as indicated in footnotes to this table, we believe that the shareholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them based on information provided to us by these shareholders. Percentage of ownership is based on 32,505,329 shares of common stock outstanding as of March 20, 2023.

Name and Address of Beneficial Owner <sup>(1)</sup>	Shares of Common Stock	Percent of Class
<b>Named Executive Officers and Directors</b>		
Gloria E. Gebbia / John J. Gebbia <sup>(2)</sup>	17,539,200	54%
Andrew H. Reich	758,238	2%
Charles Zabatta <sup>(3)</sup>	600,439	2%
Francis V. Cuttita	187,773	1%
Jerry M. Schneider	3,000	*
Directors and named executive officers as a group (6 persons)	19,088,650	59%
<b>Other Shareholders with 5% or More</b>		
Kimberly Gebbia <sup>(4)</sup>	3,278,400	10%
800 Collins Ave		
Miami, FL 33139		
John M. Gebbia <sup>(5)</sup>	2,127,091	7%
15 Exchange Place		
Jersey City, NJ 07302		
Andrew McDonald	1,773,676	5%
9378 Wilshire Blvd		
Beverly Hills, CA 90212		

\* Less than 1% of outstanding shares

<sup>1)</sup> Unless otherwise indicated, the business address of each individual is c/o Siebert Financial Corp., 535 Fifth Avenue, 4<sup>th</sup> Floor, New York, NY 10017.

<sup>2)</sup> Gloria E. Gebbia and John J. Gebbia are husband and wife. Includes 10,544,054 shares of our common stock owned by Gloria E. Gebbia, 2,689,592 shares owned by Kimberly Gebbia, 2,127,091 shares owned by John M. Gebbia, 1,473,218 shares owned by David J. Gebbia, 116,437 shares owned by a family trust, and 588,808 shares owned by Richard S. Gebbia and the children of Richard and Kimberly Gebbia.

<sup>3)</sup> Includes 500,439 shares owned by Charles Zabatta's wife.

<sup>4)</sup> Includes 588,808 shares owned by Richard S. Gebbia and the dependent children of Richard and Kimberly Gebbia.

<sup>5)</sup> Includes 118,000 shares owned by the dependent children of John M. Gebbia.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

### Review and Approval of Related Party Transactions

As set forth in our Amended and Restated Audit Committee Charter, the Audit Committee is responsible for reviewing and approving all related party transactions.

Our Code of Ethics for Senior Financial Officers, applicable to our Chief Executive Officer, Chief Financial Officer, Controller, Treasurer, Principal Accounting Officer and other employees performing similar functions, provides that our Senior Financial Officers should endeavor to avoid any actual or potential conflict of interest between their personal and professional relationships and requires them to promptly report and disclose all material facts relating to any such relationships or financial interests which give rise, directly or indirectly, to an actual or potential conflict of interest to the Audit Committee. The Code of Ethics also provides that no Senior Financial Officer should knowingly become involved in any actual or potential conflict of interest without the relationship or financial interest having been approved by the Audit Committee. Our Code of Ethics does not specify the standards that the Audit Committee would apply to a request for a waiver of this policy.

Refer to Note 24 - Related Party Disclosures for further detail on our related party transactions.

## ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Baker Tilly US, LLP (“Baker Tilly”) currently serves as our independent registered public accounting firm.

### Audit and Tax Fees

Our Audit Committee has determined that the services described below that were rendered by Baker Tilly are compatible with the maintenance of Baker Tilly’s independence from our management.

#### *Audit Fees*

The aggregate fees billed by Baker Tilly for professional services rendered for the 2022 and 2021 audit of our annual financial statements and reviews of our quarterly financial statements were \$112,000 and \$156,000, respectively.

#### *Audit-Related Fees*

The aggregate fees billed by Baker Tilly for audit-related services were \$184,000 and \$194,000 for the years ended December 31, 2022 and 2021, respectively.

### Pre-Approval Policy

The Audit Committee pre-approves all audit and non-audit services provided by our independent auditors prior to the engagement of the independent auditors with respect to such services. With respect to audit services and permissible non-audit services not previously approved, the Audit Committee has authorized the Chairman of the Audit Committee to approve such audit services and permissible non-audit services, provided the Chairman informs the Audit Committee of such approval at the next regularly scheduled meeting. All “Audit Fees” and “All Other Fees” set forth above were pre-approved by the Audit Committee in accordance with its pre-approval policy.

## 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 years ended December 31, 2022 and 2021 commence on page 31 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

None.

3. Exhibits

The exhibits listed in the following Exhibit Index are filed or incorporated by reference as part of this Annual Report on Form 10-K.



## EXHIBIT INDEX

Exhibit No.	Description Of Document
2.1	Plan and Agreement of Merger between J. Michaels, Inc. and Muriel Siebert Capital Markets Group, Inc., 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)
3.1 (a)	Certificate of Amendment to Certificate of Incorporation of Siebert Financial Corp., as amended and restated, filed February 2, 2020. (incorporated by reference to Siebert Financial Corp.’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019)
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 SEC on April 10, 1998)
4.0	Description of Registrant’s Securities
4.1	Siebert Financial Corp. 2021 Equity Incentive Plan**
10.1	Acquisition Agreement, dated September 1, 2016, by and among, Siebert Financial Corp., the Majority Shareholder and KCA (incorporated by reference to Siebert Financial Corp.’s Current Report on Form 8-K filed with the SEC on September 2, 2016)
10.2	Assignment dated December 16, 2016 by and between the Majority Shareholder and Siebert Financial Corp.
10.3	Consent and Waiver dated as of December 16, 2016 by and among Siebert Cisneros Shank Financial, LLC, Siebert Cisneros Shank & Co. L.L.C. and Siebert Financial Corp.
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 SEC on July 18, 2007)**
10.7	Fully Disclosed Clearing Agreement, by and between NFS 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)*
10.8	Asset Purchase Agreement, dated as of June 26, 2017 by and among StockCross Financial Services, Inc., Muriel Siebert & Co., Inc. and Siebert Financial Corp. (incorporated by reference to Siebert Financial Corp.’s Current Report on Form 8-K filed with the SEC on June 28, 2017)
10.9	StockCross Share Repurchase Agreement dated as of January 18, 2019 by and among tZERO Group, Inc., a Delaware corporation, StockCross Financial Services, Inc., a Massachusetts corporation and Muriel Siebert & Co., Inc., a Delaware Corporation (incorporated by reference to Siebert Financial Corp.’s Current Report on Form 8-K filed with the SEC on January 25, 2019)
10.10	Equity Interests Purchase Agreement, dated as of September 27, 2019, by and among Siebert Financial Corp., Weeden Investors L.P. and Weeden Securities Corporation. (incorporated by reference to Siebert Financial Corp.’s

Current Report on Form 8-K filed with the SEC on October 3, 2019)

- 10.11 Promissory Note, dated as of December 2, 2019, made by Siebert Financial Corp. in favor of Gloria E. Gebbia. (incorporated by reference to Siebert Financial Corp.'s Current Report on Form 8-K filed with the SEC on December 4, 2019)
- 10.12 Agreement and Plan of Merger, dated as of December 31, 2019 by and among Siebert Financial Corp., Muriel Siebert & Co., Inc., StockCross Financial Services, Inc. ("StockCross") and each of the shareholders of StockCross. (incorporated by reference to Siebert Financial Corp.'s Current Report on Form 8-K filed with the SEC on January 7, 2020)
- 10.13 Loan and Security Agreement, dated as of July 22, 2020, by and between East West Bank and Siebert Financial Corp. (incorporated by reference to Siebert Financial Corp.'s Current Report on Form 8-K filed with the SEC on July 28, 2020)
- 10.14 Form of Term Loan Note (incorporated by reference to Siebert Financial Corp.'s Current Report on Form 8-K filed with the SEC on July 28, 2020)
- 10.15 Common Stock Purchase Agreement, dated as of January 31, 2021, between Siebert Financial Corp. and OpenHand Holdings, Inc. (incorporated by reference)
- 10.16 Amendment to Fully Disclosed Clearing Agreement, dated as of August 1, 2021, by and between Muriel Siebert & Co., Inc. and National Financial Services LLC. (incorporated by reference)
- 10.17 Guaranty Agreement, dated as of August 1, 2021, between Siebert Financial Corp. and National Financial Services LLC (incorporated by reference)
- 10.18 Amendment No. 1 to Common Stock Purchase Agreement, dated as of August 18, 2021, between Siebert Financial Corp. and OpenHand Holdings, Inc. (incorporated by reference)
- 10.19 Agreement between Siebert Financial Corp. and Tigress Holdings, LLC, dated November 16, 2021. (incorporated by reference)
- 10.20 Purchase Agreement dated as of December 30, 2021, for 653 Collins Ave, Miami Beach, FL, between Siebert Financial Corp. and City National Bank of Florida, a national banking association, as trustee under the provisions of a certain Trust Agreement, dated 22<sup>nd</sup> day of March, 1993 (incorporated by reference)
- 10.21 Promissory Note, dated as of December 30, 2021, made by Siebert Financial Corp. in favor of Gloria E. Gebbia (incorporated by reference)
- 10.22 Promissory Note and Loan and Security Agreement, dated as of December 30, 2021, between East West Bank and Siebert Financial Corp. (incorporated by reference)
- 10.23 Agreement between Siebert Financial Corp. and Hedge Connection, Inc., dated January 21, 2022. (incorporated by reference)
- 10.24 Debt Exchange Agreement between Siebert Financial Corp. and Gloria E. Gebbia, dated March 31, 2022. (incorporated by reference)
- 10.25 Capital on Demand™ Sales Agreement, dated May 27, 2022, by and between Siebert Financial Corp. and JonesTrading Institutional Services LLC. (incorporated by reference to Siebert Financial Corp.'s Current Report on Form 8-K filed with the SEC on May 27, 2022).
- 10.26 Reorganization Agreement By and Among Tigress Holdings, LLC, Rise Financial Services, LLC, and Siebert Financial Corp. dated October 18, 2022 (incorporated by reference to Siebert Financial Corp. Current Report on Form 8-K filed with the SEC on October 21, 2022).
- 10.27 Termination Agreement By and Among Hedge Connection, Inc., Lisa Vioni, Rise Financial Services, LLC, and Siebert Financial Corp., dated October 18, 2022 (incorporated by reference to Siebert Financial Corp. Current Report on Form

8-K filed with the SEC on October 21, 2022).

21.1	Subsidiaries of the registrant***
23.1	Consent of Baker Tilly US, LLP***
31.1	Certification of Andrew H. Reich pursuant to 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 Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant of Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (embedded with Inline XBRL document).

\* Portions of the indicated document have been afforded confidential treatment and have been filed separately with the SEC 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.

\*\*\* Filed herewith

\*\*\*\* This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

## ITEM 16. FORM 10-K SUMMARY

None

## 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/ Andrew H. Reich  
Andrew H. Reich  
Executive Vice President, Chief Operating Officer, Chief Financial Officer, Secretary and Director (Principal executive, financial and accounting officer)

Date: March 29, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Andrew H. Reich</u> Andrew H. Reich	Executive Vice President, Chief Operating Officer and Chief Financial Officer, Secretary and Director (Principal executive, financial and accounting officer)	March 29, 2023
<u>/s/ Gloria E. Gebbia</u> Gloria E. Gebbia	Director	March 29, 2023
<u>/s/ John J. Gebbia</u> John J. Gebbia	Director	March 29, 2023
<u>/s/ Charles Zabatta</u> Charles Zabatta	Director	March 29, 2023
<u>/s/ Francis V. Cuttita</u> Francis V. Cuttita	Director	March 29, 2023
<u>/s/ Jerry M. Schneider</u> Jerry M. Schneider	Director	March 29, 2023



