NOTE A - BUSINESS

Muriel Siebert & Co., Inc. (the "Company"), a wholly-owned subsidiary of Siebert Financial Corp. ("Siebert" or "Parent"), engages in the business of providing discount brokerage services for customers, and trading securities for its own account. On November 4, 2014, the Company sold its capital market business to an affiliate, Siebert Brandford Shank Financial LLC (see Note B) and on November 9, 2015, sold its 49% membership interest in SBSF (see Note C).

NOTE B – SALE OF BUSINESS

On November 4, 2014, the Company, which held a 49% membership interest in, and the other members of, Siebert Brandford Shank & Co., LLC ("SBS"), contributed their SBS membership interest into a newly formed Delaware limited liability company, Siebert Brandford Shank Financial, L.L.C. ("SBSF"), in exchange for the same percentage interests in SBSF. On the same day the Company entered an Asset Purchase Agreement (the "Purchase Agreement") with SBS and SBSF, pursuant to which the Company sold substantially all of the assets relating to the Company's capital markets business to SBSF. Pursuant to the Purchase Agreement, SBSF assumed post-closing liabilities relating to the transferred business.

The Purchase Agreement provides for an aggregate purchase price for the disposition of $3,000,000, payable by SBSF after closing in annual installments commencing on March 1, 2016 and continuing on each of March 1, 2017, 2018, 2019 and 2020. The transferred business was contributed by SBSF to, and operated by SBS. The amount payable to the Company on each annual payment date will equal 50% of the net income attributable to the transferred business recognized by SBS in accordance with generally accepted accounting principles during the fiscal year ending immediately preceding the applicable payment date; provided that, if net income attributable to the transferred business generated prior to the fifth annual payment date is insufficient to pay the remaining balance of the purchase price in full on the fifth annual payment date, then the unpaid amount of the purchase price will be paid in full on March 1, 2021. The annual installment payable on March 1, 2016 is based on the net income attributable to the capital markets business for the year ended December 31, 2015, and amounted to approximately $493,000.

The discount recorded for the purchase obligation is being amortized as interest income using an effective yield initially calculated based on the original carrying amount of the obligation and estimated annual installments to be received and adjusted in future periods to reflect actual installments received and changes in estimates of future installments. Interest income recognized on the obligation for the year ended December 31, 2015 amounted to $235,000 based on a yield of approximately 12%.

NOTE C – SALE OF INVESTMENT IN AFFILIATE

On November 9, 2015, the Company sold its 49% membership investment in SBSF back to SBSF for $8,000,000 of which $4,000,000 was paid in cash and the balance of which was paid in the form of a secured junior subordinated promissory note of $4,000,000 (the "SBSF Junior Note").

NOTE C – SALE OF INVESTMENT IN AFFILIATE (CONTINUED)

The SBSF Junior Note ranks junior in right of payment to up to $5.0 million of subordinated indebtedness incurred by SBSF at the time of the repurchase closing (the "SBSF Senior Debt"). The SBSF Junior Note is secured by a pledge by SBSF"s post-closing members of a number of the outstanding membership interests of SBSF that at all times will equal no less than 49% of the outstanding SBSF membership interests on a fully diluted basis. The SBSF Junior Note matures on November 9, 2020 and bears interest at a rate per year equal to 8% compounding monthly and payable in full at maturity. Interest accrued on the note through December 31, 2015 amounted to $46,000. The SBSF Junior Note does not require any principal amortization before maturity; however, SBSF has the option to prepay the interest or principal without penalty. The SBSF Junior Note contains covenants and events of defaults that are substantially equivalent to those applicable to the SBSF Senior Debt, including covenants restricting debt and lien incurrence by SBS and SBSF; provided that the SBSF Junior Note is subject to customary intercreditor arrangements with the holders of the SBSF Senior Debt. Immediately upon the dissolution, liquidation, termination or expiration of SBSF or SBS, or a change of control of SBSF or SBS, or sale of all or substantially all of their consolidated assets, SBSF is obligated to prepay all of the then outstanding balance of the SBSF Junior Subordinated Note.

NOTE D –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Cash equivalents:

Cash equivalents are carried at fair value and amount to $9,028,000, consisting of money market funds.

[2] Securities:

Securities owned are carried at fair value with realized and unrealized gains and losses reflected in trading gain, net in the accompanying statement of operations. Security transactions are recorded on a trade-date basis. The Company clears all its security transactions through unaffiliated clearing firms on a fully disclosed basis. Accordingly, the Company does not hold funds or securities for, or owe funds or securities to, its customers. Those functions are performed by the clearing firms.

NOTE D –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Fair value:

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

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

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

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

The classification of financial instruments valued at fair value as of December 31, 2015 is as follows:

Financial Instrument	Level 1
Cash equivalents	$ 9,028,000
Securities	593,000
	$ 9,621,000

Securities consist of common stock, which is valued on the last business day of the year at the last available reported sales price on the primary securities exchange.

[4] Income taxes:

The Company is included in the consolidated federal income tax return filed by Siebert. Federal income taxes are calculated as if the Company filed on a separate-return basis. Income taxes payable or receivable by the Company are reflected in the intercompany account with the Parent.

The Company accounts for income taxes utilizing the asset and liability approach requiring the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the basis of assets and liabilities for financial reporting purposes and tax purposes and for net operating loss and other carryforwards. A valuation allowance is provided for deferred tax assets based on the likelihood of realization.

[5] Furniture, equipment and leasehold improvements:

Furniture, equipment and leasehold improvements are stated at cost, net of accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the lives of the assets, generally five years. Leasehold improvements are amortized over the period of the lease.

NOTE D –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Use of estimates:

The preparation of statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement financial condition. Actual results could differ from those estimates.

NOTE E - FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET

Furniture, equipment and leasehold improvements consist of the following:

Equipment	$ 375,000
Leasehold improvements	549,000
Furniture and fixtures	44,000
	968,000
Less accumulated depreciation and amortization	(594,000)
	$ 374,000

NOTE F - INCOME TAXES

Temporary differences which give rise to net deferred tax assets at December 31, 2015 consist of:

Deferred tax assets:	
Intangibles	$ 140,000 (1)
Stock compensation	237,000
Net operating carryforward - federal and state	8,812,000
Contribution carryover	178,000
Furniture, equipment and leasehold improvements	181,000
Accrued expenses – Bonus	252,000
Capital loss carryforward – federal and state	395,000
	10,195,000
Valuation allowance	9,314,000
Net deferred tax assets	881,000
Deferred tax liability:	
Receivable from affiliate	(881,000) (2)
	$ 0

(1) Relates to retail discount brokerage accounts acquired at a cost of $2,988,000 which are being amortized over 15 years for tax purposes and have been fully amortized over their five-year estimated useful life for financial reporting purposes.

(2) Relates to receivable from business sold to affiliate treated as an installment sale for tax purposes.

As of December 31, 2015, the Company had a net operating loss carryforward of approximately $19.1 million for federal tax purposes, which expires from 2030 through 2035, and approximately $31.8 million for state and city tax purposes, which expires from 2029 through 2035.

Due to cumulative losses incurred by the Company during the current and prior two years, the Company is unable to conclude that it is more likely than not that it will realize its deferred tax asset and, accordingly, has recorded a valuation allowance to fully offset its net deferred tax asset at December 31, 2015.

The Company applied the "more-likely-than-not" recognition threshold to all tax positions taken or expected to be taken in a tax return which resulted in no unrecognized tax benefits reflected in the 2015 financial statements. Tax years for 2012 and thereafter are subject to tax examinations by federal and state authorities. The Company is currently under tax examination by the state of Illinois for the year 2012.

NOTE G - NET CAPITAL

The Company is subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. The Company has elected to use the alternative method permitted by the rule which requires that the Company maintain minimum net capital, as defined, equal to the greater of $250,000, or 2% of aggregate debit balances arising from customer transactions, as defined. The net capital rule of the New York Stock Exchange also provides that equity capital may not be withdrawn or cash dividends paid if resulting net capital would be less than 5% of aggregate debits. At December 31, 2015, the Company had net capital of approximately $8,131,000, which was approximately $7,881,000 in excess of required net capital of $250,000.

The Company claims exemption from the reserve requirements under the SEC's Rule 15c 3-3 pursuant to paragraph (k)(2)(ii) as it clears its customer transactions through unaffiliated clearing firms on a fully disclosed basis.

NOTE H - OPTIONS

The Company is a participant in Siebert's 2007 long-term incentive plan (the "Plan") that provides for the granting of options in Siebert's common stock to certain directors, employees and consultants at its discretion. The Plan provides for the granting of options to purchase up to an aggregate of 2,000,000 shares, subject to adjustment in certain circumstances. Both non-qualified options and options intended to qualify as "Incentive Stock Options" under Section 422 of the Internal Revenue Code ("IRC") may be granted under the Plan. A Stock Option Committee of the Board of Directors of Siebert administers the Plan. The committee has the authority to determine when options are granted, the term during which an option may be exercised (provided no option has a term exceeding ten years), the exercise price and the exercise period. The exercise price shall not be less than the fair market value on the date of grant. No option may be granted under the Plan after December 2017. Generally, employee options vest 20% per year for five years and expire ten years from the date of grant. At December 31, 2015, options for 1,760,000 shares of common stock are available for grant under the Plan.

There was no stock option activity during 2015. Outstanding stock options at December 31, 2015 under the Plan, and related information is presented below:

	2015	
	Shares	**Weighted-Average Exercise Price**
Fully vested and exercisable at end of year (a)	265,000	$ 3.02

(a) Weighted average remaining contractual term of 2.51 years and aggregate intrinsic value of $0.

NOTE I - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

Retail customer transactions are cleared through a clearing broker on a fully disclosed basis. In the event that customers are unable to fulfill their contractual obligations, the clearing broker may charge the Company for any loss incurred in connection with the purchase or sale of securities at prevailing market prices to satisfy customers' obligations. The Company regularly monitors the activity in its customer accounts for compliance with its margin requirements. Securities transactions entered into as of December 31, 2015 settled subsequent thereto with no material adverse effect on the Company's statement of financial condition.

NOTE I - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK (CONTINUED)

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

NOTE J - COMMITMENTS, CONTINGENCIES AND OTHER

[1] The Company rents office space under an operating lease expiring in 2017. The lease calls for base rent plus escalations for property taxes and other operating expenses.

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

Year	Amount
2016	541,000
2017	90,000
	$ 631,000

[2] In the ordinary course of business, the Company is named a party to certain claims, suits and complaints. In the opinion of management, pending matters are without merit, and their ultimate outcome will not have a significant effect on the financial position of the Company.

[3] The Company sponsors a defined-contribution retirement plan under Section 401(k) of the Internal Revenue Code that covers substantially all employees. Participant contributions to the plan are voluntary and are subject to certain limitations. The Company may also make discretionary contributions to the plan. No contributions were made by the Company in 2015.

[4] The Company has entered into a Secured Demand Note Collateral Agreement with SBS under which the Company is obligated to lend SBS up to $1,200,000 on a subordinated basis collateralized by cash equivalents of approximately $1,532,000. SBS pays the Company interest on this amount at the rate of 4% per annum, which amounted to $32,000 for the period from January 1, 2015 to August 31, 2015, the date the facility expired and was not renewed and the collateral was released from restricted cash.

[5] In July 2013, the Company extended its fully disclosed clearing agreement with its clearing broker through July 2017.