MURIEL SIEBERT & CO., INC.

FINANCIAL STATEMENT
Including Report of Independent Registered Public Accounting Firm

As of and for the year ended
December 31, 2021
(with supplemental information)

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

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PART III

FACING PAGE
Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/21 (MM/DD/YY) AND ENDING 12/31/21 (MM/DD/YY)

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: MURIEL SIEBERT & CO., INC.

TYPE OF REGISTRANT (check all applicable boxes):
☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

15 EXCHANGE PLACE, SUITE 800
(No. and Street)

JERSERY CITY	NJ	07302
(City)	(State)	(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

MICHAEL COLOMBINO	(310) 432-2192	MCOLOMBINO@SIEBERT.COM
(Name)	(Area Code – Telephone Number)	(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing*

BAKER TILLY US, LLP
(Name – if individual, state last, first, and middle name)

ONE PENN PLAZA, SUITE 3000	NEW YORK	NY	10119
(Address)	(City)	(State)	(Zip Code)

10/22/2003	23
(Date of Registration with PCAOB)(if applicable)	(PCAOB Registration Number, if applicable)

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* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, MICHAEL J COLOMBINO, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of MURIEL SIEBERT & CO., INC., as of DECEMBER 31, 2021, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.

DINA MARIE GONZALEZ
COMMISSION NUMBER HH 123817
EXPIRES April 28, 2025
Notary Public, State of Florida

Signature: Michael J Colombino

Title: CFO

Dina Marie Gonzalez
Notary Public

This filing contains (check all applicable boxes):**

- ☒ (a) Statement of financial condition.
- ☒ (b) Notes to consolidated statement of financial condition.
- ☐ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☐ (d) Statement of cash flows.
- ☐ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☐ (g) Notes to consolidated financial statements.
- ☐ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☐ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☐ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☐ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: ____________________

***To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.*

MURIEL SIEBERT & CO., INC.

Year Ended December 31, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholder, Audit Committee, and Board of Directors of
Muriel Siebert & Co., Inc.

Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Muriel Siebert & Co., Inc. (the "Company") as of December 31, 2021, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statement based on our audit. 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 audit 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 financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, 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 financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit provided a reasonable basis for our opinion.

Baker Tilly US, LLP

We have served as the Company's auditor since 2017.
New York, New York
February 28, 2022

MURIEL SIEBERT & CO., INC.
STATEMENT OF FINANCIAL CONDITION
AS OF DECEMBER 31, 2021

ASSETS	
Current assets	
Cash and cash equivalents	$ 2,860,000
Cash and securities segregated for regulatory purposes	326,826,000
Receivables from customers	85,327,000
Receivables from non-customers	81,000
Receivables from broker-dealers and clearing organizations	7,648,000
Other receivables	2,230,000
Prepaid service contract - current	709,000
Prepaid expenses and other assets	1,233,000
Securities borrowed	939,518,000
Securities owned, at fair value	3,991,000
Total Current assets	1,370,423,000
Deposits with broker-dealers and clearing organizations	4,541,000
Prepaid service contract – non-current	295,000
Equipment, office facilities, and property, net	648,000
Software, net	550,000
Lease right-of-use assets	2,476,000
Deferred tax assets	3,598,000
Total Assets	$ 1,382,531,000
LIABILITIES AND STOCKHOLDER’S EQUITY	
Liabilities:	
Current liabilities	
Payables to customers	$ 376,670,000
Payables to non-customers	17,430,000
Drafts payable	1,804,000
Payables to broker-dealers and clearing organizations	254,000
Accounts payable and accrued liabilities	3,039,000
Securities loaned	931,735,000
Securities sold, not yet purchased, at fair value	24,000
Taxes payable	1,611,000
Notes payable - related party	3,000,000
Current portion of lease liabilities	1,081,000
Deferred contract incentive	58,000
Total Current liabilities	1,336,706,000
Lease liabilities, less current portion	1,658,000
Total Liabilities	1,338,364,000
Commitment and Contingent Liabilities	
Stockholder’s Equity:	
Common stock, $1 par value; 1,000 shares authorized; 649 shares issued	1,000
Additional paid-in capital	22,992,000
Retained earnings	21,174,000
Total Stockholder’s Equity	44,167,000
Total Liabilities and Stockholder’s Equity	$ 1,382,531,000

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

MURIEL SIEBERT & CO., INC.
NOTES TO FINANCIAL STATEMENTS

1. Business

Muriel Siebert & Co., Inc. (“MSCO” or the "Company"), a wholly-owned subsidiary of Siebert Financial Corp. ("Siebert" or "Parent"), is registered as a broker-dealer with the Financial Industry Regulatory Authority (“FINRA”), the New York Stock Exchange (“NYSE”), the Securities and Exchange Commission (“SEC”), the Securities Investor Protection Corporation (“SIPC”), the National Futures Association (“NFA”), and the Commodities Futures Trading Commission (“CFTC”). The Company engages in the business of providing brokerage services for customers and trading securities for its own account.

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

The Company primarily operates in the securities brokerage and asset management industry. All of the Company's revenues for the year ended December 31, 2021 were derived from its operations in the U.S.

As of December 31, 2021, the Company is comprised of a single operating segment based on the factors related to management’s decision-making framework as well as management evaluating performance and allocating resources based on assessments of the Company from a consolidated perspective.

COVID-19

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

The primary financial impact on the Company from the COVID-19 pandemic for 2021 was lower interest revenue resulting from lower benchmark interest rates.

The Company is actively monitoring the impact of COVID-19 on its business, financial condition, liquidity, operations, employees, clients and business partners. Based on management’s assessment as of December 31, 2021, the ultimate impact of COVID-19 on the Company’s business, results of operations, financial condition and cash flows is dependent on future developments, including the duration of the pandemic and the related length of its impact on the global economy, which are uncertain and cannot be predicted at this time.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

The preparation of 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 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.

Concentrations of Credit Risk

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

In the event contra-parties do not fulfill their obligations, the Company may sustain a loss if the market value of the instrument is different from the contract value of the transaction. The risk of default primarily depends upon the credit worthiness of the contra-parties involved in the transactions. It is the Company's policy to review, as necessary, the credit standing of each contra-party with which it conducts business. The Company has experienced no material historical losses in relation to its contra-parties for the year ended December 31, 2021.

As of December 31, 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.

Allowance for Credit Losses

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, "Measurement of Credit Losses on Financial-Instruments". This ASU amends several aspects of the measurement of credit losses on financial instruments, including replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses model ("CECL"). Under CECL, the allowance for losses for financial assets that are measured at amortized cost reflects management's estimate of credit losses over the remaining expected life of the financial assets. Expected credit losses for newly recognized financial assets, as well as changes to expected credit losses during the period, would be recognized in earnings, and adoption of the ASU will generally result in earlier recognition of credit losses. Expected credit losses will be measured based on historical experience, current conditions and forecasts that affect the collectability of the reported amount, and credit losses will be generally recognized earlier than under previous U.S. GAAP.

The Company's adoption of this ASU using the modified retrospective approach for all in-scope assets did not result in an adjustment to the opening balance in retained earnings. The ASU impacts only those financial instruments that are carried by the Company at amortized cost such as securities borrowed / loaned, receivables from customers, non-customers, broker dealers and clearing organizations and other receivables. The adoption of this ASU did not have a material impact to the Company's financial statements.

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, 2021, the Company did not hold any cash equivalents. At certain times, cash balances may exceed FDIC insured limits.

Cash and Securities Segregated For Regulatory Purposes

The Company is subject to Exchange Act Rule 15c3-3, referred to as the "Customer Protection Rule," which requires segregation of funds in special reserve accounts for the exclusive benefit of customers. As of December 31, 2021, the Company had approximately $326.8 million in cash deposits in special reserve accounts and 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 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 has no expectation of credit losses for its receivables from customers as of December 31, 2021. Securities beneficially owned by customers, including those that collateralize margin or other similar transactions, are not reflected in the statement 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 due from / to introducing broker-dealers, fail-to-deliver and fail-to-receive items, and amounts receivable for unsettled regular-way transactions. Deposits with broker-dealers and clearing organizations include amounts held on deposit with broker-dealers and clearing organizations.

The Company's customer transactions for the year ended December 31, 2021 were both self-cleared and cleared on a fully-disclosed basis through National Financial Services Corp. ("NFS").

Receivables from brokers-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. As a result, the Company has no expectation of credit losses for these arrangements as of December 31, 2021.

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.

Securities Borrowed and Securities Loaned

Securities borrowed transactions are recorded at the amount of cash collateral delivered to the counterparty. 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 has no expectation of credit losses on its securities borrowed balances as of December 31, 2021.

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.

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.

Equipment, Office Facilities, and Property, Net

Equipment, office facilities, and property are stated at cost, net of accumulated depreciation and amortization. Depreciation for equipment and furniture is calculated using the straight-line method over the estimated useful lives of the assets, generally not exceeding four years. Leasehold improvements are amortized over the shorter of 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 leasehold improvements. As of December 31, 2021, the Company had no property.

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 to provide market information to customers are expensed as incurred.

Payables to Non-Customers

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

Drafts Payable

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

Revenue Recognition

Revenue from contracts with customers and counterparties includes commissions and fees, principal transactions, market making, stock borrow / stock loan, other income, as well as interest, marketing and distribution fees. The recognition and measurement of revenue is based on the assessment of individual contract terms. Significant judgment is required to determine whether performance obligations are satisfied at a point in time or over time, how to allocate transaction prices where multiple performance obligations are identified, when to recognize revenue based on the appropriate measure of the Company's progress under the contract, and whether constraints on variable consideration should be applied due to uncertain future events. For the year ended December 31, 2021, 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.

Income Taxes

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

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

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

The Company 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 statement of income. Accrued interest and penalties would be included on the related tax liability line in the accompanying statement of financial condition.

Capital Stock

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

Accounting Standards Adopted in Fiscal 2021

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

Management has evaluated other recently issued accounting pronouncements and does not believe that any of these pronouncements will have a material impact on the Company’s financial statements and related disclosures as of December 31, 2021.

3. Receivables From, Payables To, and Deposits With Broker-Dealers and Clearing Organizations

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

	As of December 31, 2021
Receivables from and deposits with broker-dealers and clearing organizations	
DTCC / OCC / NSCC	$ 10,968,000
NFS	966,000
Securities fail-to-deliver	174,000
Globalshares	55,000
Trade date net receivable	26,000
Total Receivables from and deposits with broker-dealers and clearing organizations	$ 12,189,000
Payables to broker-dealers and clearing organizations	
Securities fail-to-receive	$ 254,000
Total Payables to broker-dealers and clearing organizations	$ 254,000

Under the Depository Trust and Clearing Corporation (“DTCC”) shareholders’ agreement, the Company is required to participate in the DTCC common stock mandatory purchase. As of December 31, 2021, the Company had 24.29 shares of DTCC common stock valued at approximately $905,000 which is included within the line item “Deposits with broker-dealers and clearing organizations.”

4. Prepaid Service Contract

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

The Company initially recorded a prepaid asset equal to the $2.1 million of the total professional services related to the development work performed by InvestCloud, which is within the line item “Prepaid service contract” on the statement of financial condition. The Company amortizes this asset over the 3-year term of the contract, a period during which the arrangement is noncancelable. The license fees related to the Company’s use of the InvestCloud Platform are prepaid three months in advance and are amortized over the three-month term. The amortization for all the prepaid assets related to InvestCloud development is within the line item titled “Technology and communications” on the statement of income.

5. Fair Value Measurements

Overview

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

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

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

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

Level 3 - Unobservable inputs for the asset or liability.

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

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

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

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

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

Certificates of deposit: Certificates of deposit 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.

Fair Value Hierarchy Tables

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

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets				
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
Liabilities				
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, U.S. government securities mature on 08/15/2024

The following represents financial instruments in which the ending balances as of December 31, 2021 are not carried at fair value in the statement of financial condition:

Short-term financial instruments: The carrying value of short-term financial instruments, including cash and 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. The Company had no cash equivalents or securities segregated for regulatory purposes as of December 31, 2021. 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, taxes payable and accounts payable and accrued liabilities are recorded at amounts that approximate fair value due to their short-term nature and are classified as level 2 under the fair value hierarchy.

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.

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.

6. Equipment, Office Facilities, and Property, Net

Equipment, office facilities, and property consist of the following as of the period indicated:

	As of December 31, 2021
Leasehold improvements	$ 1,414,000
Equipment	378,000
Furniture	185,000
Total Equipment, office facilities, and property	1,977,000
Less accumulated depreciation	(1,329,000)
Total Equipment, office facilities, and property, net	$ 648,000

The Company had no property for the year ended December 31, 2021.

7. Software, Net

Software consisted of the following as of the period indicated:

	As of December 31, 2021
Software	$ 1,681,000
Less accumulated amortization	(1,131,000)
Total Software, net	$ 550,000

As of December 31, 2021, the Company estimates future amortization of software of $319,000, $171,000, and $59,000, in the years ended December 31, 2022, 2023, and 2024 respectively.

8. Leases

As of December 31, 2021, the Company rents office space under operating leases expiring in 2022 through 2026, and the Company has no financing leases. The leases call for base rent plus escalations as well as other operating expenses. The following table represents the Company's lease right-of-use assets and lease liabilities on the statement of financial condition. The Company elected not to include short-term leases (i.e., leases with initial terms of less than twelve months), or equipment leases (deemed immaterial) on the statement of financial condition.

As of December 31, 2021, the Company does not believe that any of the renewal options under the existing leases are reasonably certain to be exercised; however, the Company will continue to assess and monitor the lease renewal options on an ongoing basis.

	As of December 31, 2021
Assets	
Lease right-of-use assets	$ 2,476,000
Liabilities	
Lease liabilities	$ 2,739,000

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

Lease Term and Discount Rate	As of December 31, 2021
Weighted average remaining lease term – operating leases (in years)	3.0
Weighted average discount rate – operating leases	5.0%

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

	Year Ended December 31, 2021
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	$ 1,457,000
Lease right-of-use assets obtained in exchange for new lease liabilities	
Operating leases	$ 1,675,000

Lease Commitments

Future annual minimum payments for operating leases with initial terms of greater than one year as of December 31, 2021 were as follows:

Year	Amount
2022	$ 1,185,000
2023	899,000
2024	399,000
2025	325,000
2026	139,000
Remaining balance of lease payments	2,947,000
Less: Difference between undiscounted cash flows and discounted cash flows	208,000
Lease liabilities	$ 2,739,000

9. Deferred Contract Incentive

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

As part of the agreement, NFS will pay the Company four annual credits of $100,000 for a total of $400,000. As of December 31, 2021, the Company received $100,000 from NFS which is within the line item "Deferred contract incentive" on the statement of financial condition. Subsequent payments shall be made on the anniversary of the date on which the first credit was paid. Each credit will be recognized as contra expense over 12 months in the line item "Clearing fees, including execution costs" on the statement of income.

For the year ended December 31, 2021, the Company recognized $42,000 in contra expense, and the balance of the deferred contract incentive was $58,000 as of December 31, 2021.

10. Notes Payable - Related Party

As of December 31, 2021, the Company had the below note payable to Gloria E. Gebbia, the Company's Director and the Parent's principal stockholder, the details of which are presented below:

Description	Issuance Date	Face Amount	Unpaid Principal Amount
Subordinated to the Company			
4.00% due November 30, 2022	November 30, 2020	$ 3,000,000	$ 3,000,000
Total Note payable – related party		$ 3,000,000	$ 3,000,000

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

The Company's interest expense and the cash paid for notes payable – related party was $120,000 for the year ended December 31, 2021. There was no interest payable related to this note as of December 31, 2021.

11. Revenue Recognition

Overview of Revenue

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, fixed income securities, as well as certain third-party mutual funds and ETFs. 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.

Principal Transactions

Principal transactions primarily represent 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. Principal transactions 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.

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 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.

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. 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.

For the period presented, the Company combined revenue from interest income and revenue from margin interest, marketing and distribution fees as these revenue streams are similar in nature. These revenue streams were historically disaggregated; however, the Company has combined these revenue streams to most accurately present the statement of income.

Other Income

Other income represents fees generated from correspondent clearing fees, 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.

Categorization of Revenue

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

Revenue Stream	Performance Obligation
Commissions and fees, Principal transactions, Market making, Stock borrow / stock loan,	Provide financial services to customers and counterparties
Interest, marketing and distribution fees, Other income	n / a

Other Items

For the year ended December 31, 2021, 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.

12. Income Taxes

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, 2021
Deferred tax assets:	
Net operating losses	$ 5,110,000
Lease liabilities	735,000
Other	74,000
Subtotal	5,919,000
Less: valuation allowance	(1,343,000)
Total Deferred tax assets	$ 4,576,000
Deferred tax liabilities:	
Fixed assets	$ (835,000)
Share-based compensation	(143,000)
Total Deferred tax liabilities	(978,000)
Net Deferred tax assets	$ 3,598,000

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, 2021 that certain of its U.S. deferred tax assets are realizable on a more-likely-than-not basis. The Company maintains a valuation allowance on certain federal net operating losses that are expected to expire unutilized and certain state net operating losses. The Company's valuation allowance did not change for the year ended December 31, 2021. 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 $4.8 million, which expire in varying amounts in 2035 and 2036 if not utilized. The U.S. federal net operating loss carryforwards are subject to annual limitation under Section 382 of the Internal Revenue Code.

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

	As of December 31, 2021
Balance at beginning of year	$ 2,024,000
Additions for tax positions taken during current year	520,000
Additions for tax positions taken during prior year	—
Reductions for tax positions taken during prior years	(29,000)
Settlements	—
Expirations of statutes of limitations	—
Balance at end of year	$ 2,515,000

Of the amounts reflected above as of December 31, 2021, 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. The Company does not believe that the amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months.

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 2018 through 2021.

13. Capital Requirements

Net Capital

The Company is subject to the Uniform Net Capital Rules of the SEC (Rule 15c3-1) of the Securities Exchange Act of 1934. Under the alternate method permitted by this rule, net capital, as defined, shall not be less than the lower of $1 million or 2% of aggregate debit items arising from customer transactions. As of December 31, 2021, the Company'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 34.89%.

Special Reserve Account

The Company is subject to Customer Protection Rule 15c3-3 which requires segregation of funds in a special reserve account for the exclusive benefit of customers. As of December 31, 2021, the Company 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, the Company had $1.9 million in excess of the deposit requirement.

14. Financial Instruments With Off-Balance-Sheet Risk

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

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

The Company's customer securities activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, subject to various regulatory and internal margin requirements, 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. As of December 31, 2021, the Company had margin loans extended to its customers of approximately $494.5 million, of which $85.3 million is within the line item "Receivables from customers" on the statement of financial condition.

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

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

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

There were no material losses for unsettled customer transactions for the year ended December 31, 2021.

15. Commitments, Contingencies and Other

Legal and Regulatory Matters

The Company is party to certain claims, suits and complaints arising in the ordinary course of business. All of the below legal matters are related to activities that occurred in StockCross Financial Services, Inc. ("StockCross"), prior to the Company's acquisition of StockCross on January 1, 2020.

On July 14, 2021, StockCross entered into a Letter of Acceptance, Waiver, and Consent with FINRA in connection with alleged excessive trading and suitability violations by a registered representative of StockCross in a customer's account, supervisory failures to comply with supervisory requirements relating to certain equity and options and stock lending transactions, and certain record keeping requirements. Pursuant to the consent, the Company agreed to a censure, pay a fine of $250,000, and made an undertaking to retain an independent consultant to conduct a comprehensive review of the Company's compliance with suitability rules in connection with solicited equity and options transactions, as well as possession-or-control requirements in connection with the firm's stock loan business. As of December 31, 2021, this legal matter has been resolved and the Company paid $250,000 for the year ended December 31, 2021, which is within the line item "Other general and administrative" in the statement of income.

On July 9, 2021, StockCross entered into a Consent Order with the California Department of Financial Protection and Innovation in connection with alleged supervisory failures relating to the sale of Unit Investment Trusts to six customers (the "California Case"). Pursuant to the consent order, the Company agreed to desist and refrain from violations of California law relating to supervision by broker-dealers, to make a payment of $100,000 to the California Department of Financial Protection and Innovation for administrative costs, and to offer restitution of commissions of approximately $315,000 in aggregate to the six customers. The Company paid $100,000 for the year ended December 31, 2021 related to this legal matter. As of December 31, 2021, this legal matter has been resolved and the six customers rejected the offer of restitutions.

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. 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 this matter. 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 these matters can be reached or that any amount paid in settlement will not be material.

As of December 31, 2021, all other legal matters are without merit or involve amounts which would not have a material impact on the Company's results of operations or financial position.

Overnight Financing

As of December 31, 2021, the Company had an available line of credit for short term overnight demand borrowing of up to $15 million with BMO Harris Bank. As of December 31, 2021, the Company had no outstanding loan balance with BMO Harris Bank and there were no commitment fees or other restrictions on the line of credit. The Company utilizes customer or firm securities as a pledge for short-term borrowing needs.

There were no fees associated with the utilization of this credit line for the year ended December 31, 2021.

NFS Contract

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

Date of Termination	Early Termination Fee
Prior to August 1, 2022	$ 8,000,000
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 year ended December 31, 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, Kennedy Cabot Acquisition, LLC (“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, 2021. 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 had an accrual of $87,000 as of December 31, 2021, which represents the historical estimate of future claims to be recognized for claims incurred prior to the end of the reporting period.

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

16. Employee Benefit Plans

The Company through its affiliate, Kennedy Cabot Acquisition, LLC ("KCA"), sponsors a defined-contribution retirement plan under Section 401(k) of the Internal Revenue Code that covers substantially all employees. Participant contributions to the plan are voluntary and are subject to certain limitations. The Company may also make discretionary contributions to the plan. No contributions were made by the Company or KCA for the year ended December 31, 2021.

On September 17, 2021, the Parent's shareholders approved the Siebert Financial Corp. 2021 Equity Incentive Plan (the "Plan") at the Parent's 2021 Annual Meeting of Shareholders. The Plan provides for the grant of stock options, restricted stock, and other equity awards of the Parent's common stock to employees, officers, consultants, directors, and other service providers of the Parent and the Company. There are 3 million shares reserved under the Plan, and the Parent issued no securities under the Plan for the year ended December 31, 2021.

17. Related Party Disclosures

Kennedy Cabot Acquisition, LLC

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

KCA sponsors a 401(k) profit sharing plan which covers substantially all of the Company's employees. Employee contributions to the plan are at the discretion of eligible employees. There were no contributions by the Company or KCA to the plan for the year ended December 31, 2021. On August 6, 2021, the Parent's Board of Directors approved a 401(k) matching program for employees of the Parent and its subsidiaries.

For the year ended December 31, 2021, KCA has earned no profit for providing any services to the Company as KCA passes through any revenue or expenses to the Company.

Park Wilshire Companies, Inc.

Park Wilshire Companies, Inc. ("PW"), is a wholly-owned subsidiary of the Parent, and brokers the insurance policies for related parties. Revenue for PW from related parties was $39,000 for the year ended December 31, 2021.

Gloria E. Gebbia

The Company has entered into various debt agreements with Gloria E. Gebbia, the Parent's principal stockholder as well as a member of the Board of Directors of the Company and the Parent. See Note 10 – Notes Payable - Related Party for additional detail.

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

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 year ended December 31, 2021 rent expense was $60,000 for this branch office.

18. Subsequent Events

The Company has evaluated events that have occurred subsequent to December 31, 2021 and through February 28, 2022, the date of the filing of this report.

The Company has concluded there have been no material subsequent events that occurred during such period that would require disclosure in this report or would be required to be recognized in the financial statements as of December 31, 2021.