

SIEBERT FINANCIAL CORP
Form DEF 14A
April 30, 2007

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement Soliciting Material Under Rule 14a-12
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials

SIEBERT FINANCIAL CORP.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount previously paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

**SIEBERT FINANCIAL CORP.
885 Third Avenue, Suite 1720
New York, New York 10022
(212) 644-2400**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON JUNE 5, 2007**

Dear Shareholders:

Notice is hereby given of the Annual Meeting of Shareholders of Siebert Financial Corp., a New York corporation, at The Harmonie Club, 4 East 60th Street, New York, New York, on Tuesday, June 5, 2007 at 10:00 a.m., local time. The meeting's purpose is to:

1. Elect six directors;
2. Vote on a proposal to approve the Siebert Financial Corp. 2007 Long-Term Incentive Plan; and
3. Consider any other matters that are properly presented at the Annual Meeting and any adjournment thereof.

You may vote at the Annual Meeting if you were one of our shareholders of record at the close of business on Friday, April 13, 2007.

Along with the attached Proxy Statement, we are also enclosing a copy of our Annual Report to Shareholders, which includes our financial statements.

To assure your representation at the meeting, please vote, sign and mail the enclosed proxy as soon as possible. We have enclosed a return envelope, which requires no postage if mailed in the United States. Your proxy is being solicited by the Board of Directors. Shareholders who attend the meeting may revoke their proxy and vote their shares in person.

PLEASE VOTE—YOUR VOTE IS IMPORTANT

Daniel Iesu
Secretary

New York, New York
April 30, 2007

SIEBERT FINANCIAL CORP.
885 Third Avenue, Suite 1720
New York, New York 10022
(212) 644-2400

**PROXY STATEMENT FOR THE 2007 ANNUAL MEETING OF
SHAREHOLDERS TO BE HELD ON JUNE 5, 2007**

INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

- Annual Meeting:** June 5, 2007
10:00 a.m., local time The Harmonie Club
4 East 60th Street
New York, New York
- Record Date:** Close of business on Friday, April 13, 2007. If you were a shareholder at that time, you may vote at the meeting. Each share is entitled to one vote. On the record date, we had 22,208,332 shares of our common stock outstanding and entitled to vote. Of those shares, 19,878,700 shares were beneficially owned or controlled by Muriel Siebert, our Chairwoman, President and Chief Executive Officer, and one of our directors.
- Quorum:** The holders of a majority of the outstanding shares of our common stock, present in person or by proxy and entitled to vote, will constitute a quorum at the meeting. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum.
- Agenda:**
1. Elect six directors.
 2. Vote on a proposal to approve the Siebert Financial Corp. 2007 Long-Term Incentive Plan.
 3. Any other proper business. However, we currently are not aware of any other matters that will come before the meeting.
- Vote Required:** Proposal 1: The six nominees for director who receive the most votes will be elected. If you indicate withhold authority to vote for any nominee on your proxy card, your vote will not count either for or against the nominee.
- Broker Non-votes:** If you hold your common stock through a nominee, generally the nominee may vote the common stock that it holds for you only in accordance with your

instructions. Brokers who are members of the National Association of Securities Dealers, Inc. may not vote shares held by them in nominee name unless they are permitted to do so under the rules of any national securities exchange to which they belong. Under New York Stock Exchange rules, a member broker that has transmitted proxy soliciting materials to a beneficial owner may vote on matters that the New York Stock Exchange has determined to be routine if the beneficial owner has not provided the broker with voting instructions within ten days of the meeting. If a nominee cannot vote on a particular matter because it is not routine, there is a "broker non-vote" on that matter. Broker non-votes count for quorum purposes, but we do not count broker non-votes as votes for or against any proposal.

Proxies:

Please vote; your vote is important. Prompt return of your proxy will help avoid the costs of resolicitation. Unless you tell us on the proxy card to vote differently, we will vote signed returned proxies "FOR" each of the Board of Directors' nominees for director and "FOR" the approval of the Siebert Financial Corp. 2007 Long-Term Incentive Plan.

If any nominee cannot or will not serve as a director, your proxy will vote in accordance with his or her best judgment. At the time we began printing this proxy statement, we did not know of any matters that needed to be acted upon at the meeting other than those discussed in this proxy statement. However, if any additional matters are presented to the shareholders for action at the meeting, your proxy will vote in accordance with his or her best judgment.

**Proxies Solicited
By:**

The Board of Directors.

**Revoking Your
Proxy:**

You may revoke your proxy before it is voted at the meeting. Proxies may be revoked if you:

1. deliver a signed, written revocation letter, dated later than the proxy to be revoked, to Daniel Iesu, Secretary, Siebert Financial Corp., 885 Third Avenue, Suite 1720, New York, New York 10022;
2. deliver a signed proxy, dated later than the first proxy, to Mr. Iesu at the address above; or

3. attend the Annual Meeting and vote in person or by proxy. Attending the meeting without doing more will not revoke your proxy.

Cost of Solicitation:

We will pay all costs of soliciting these proxies, estimated at \$3,500 in the aggregate. Although we are mailing these proxy materials, our directors, officers and employees may also solicit proxies by telephone, facsimile, mail or personal contact. These persons will receive no additional compensation for their services, but we may reimburse them for reasonable out-of-pocket expenses. We will also furnish copies of solicitation materials to fiduciaries, custodians, nominees and brokerage houses for forwarding to beneficial owners of our shares of common stock held in their names, and we will reimburse them for reasonable out-of-pocket expenses. Broadridge Financial Solutions, Inc. (formerly ADP Investor Communication Services) is assisting us in the solicitation of proxies for the meeting for no additional fee.

Your Comments:

Your comments about any aspects of our business are welcome. Although we may not respond on an individual basis, your comments help us to measure your satisfaction, and we may benefit from your suggestions.

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PROPOSAL 1.

ELECTION OF DIRECTORS

Generally:

Our Board of Directors nominated six directors for election at the annual meeting. All the nominees for election as director are currently serving as our directors. All the nominees have consented to be named and have indicated their intent to serve if elected. If elected, each director will hold office until the next annual meeting or until the director's successor has been duly elected. All our directors, other than Ms. Siebert, are independent within the meaning of Rule 4200(a)(15) of The Nasdaq Stock Market.

Nominees:

MURIEL F. SIEBERT
Age 74

Muriel Siebert has been Chairwoman, Chief Executive Officer, President and a director of Muriel Siebert & Co., Inc. since 1967 and of Siebert Financial Corp. since November 8, 1996. On December 28, 1967, Ms. Siebert became the first woman member of the New York Stock Exchange. Ms. Siebert served as Superintendent of Banks of the State of New York from 1977 to 1982. She is a director of the New York State Business Council, and the Greater New York

Council of the Boy Scouts of America. Ms. Siebert is currently on the executive committee of the Economic Club of New York and formerly served on the New York State Commission on Judicial Nomination, which is involved in the selection of Associate Judges for the Court of Appeals.

PATRICIA L. FRANCY
Age 61

Patricia Francy retired as Special Advisor for Alumni Relations at Columbia University on December 31, 2005. She had served in such position since January 1, 2004 and was Treasurer & Controller of Columbia University from 1989 until 2003. Ms. Francy had been affiliated with Columbia University since 1968, and has served as a Director of Finance and Director of Budget Operations. Ms. Francy is also a director of Old Westbury Funds, Inc. Ms. Francy became a director on March 11, 1997.

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LEONARD M. LEIMAN
Age 75

Leonard Leiman is of counsel to the law firm of Fulbright & Jaworski L.L.P., New York, New York. Fulbright & Jaworski L.L.P. provides legal services to us. Prior to becoming of counsel in 2002, Mr. Leiman was a partner in Fulbright & Jaworski L.L.P. for more than the preceding five years. Mr. Leiman became a director on May 2, 2002.

JANE H. MACON
Age 60

Jane Macon is a partner with the law firm of Fulbright & Jaworski L.L.P., San Antonio, Texas. Fulbright & Jaworski L.L.P. provides legal services to us. Ms. Macon became a director on November 8, 1996.

ROBERT P. MAZZARELLA
Age 60

Robert Mazzarella retired from Fidelity Investments Brokerage Services LLC in January 2002, at which time he served as its president. Mr. Mazzarella presently serves as a director of Placemark Investments, a registered investor adviser in Wellesley, Massachusetts, M&O, a financial services recordkeeping firm, as a member of the Board of Governors of the Boston Stock Exchange and as the Regulatory Board Chairman of the Boston Options Exchange. Mr. Mazzarella also acts as a consultant to a number of major financial services firms and venture capital firms. Mr. Mazzarella became a director on March 1, 2004.

NANCY S. PETERSON
Age 73

Nancy Peterson is the President, Chairwoman and Chief Executive Officer of Peterson Tool Company, Inc. Ms. Peterson became a director on June 4, 2001.

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Vote Required:

The six nominees for director who receive the most votes will be elected. The enclosed proxy allows you to vote for the election of all the nominees listed, to withhold authority to vote for one or more of the nominees or to withhold authority to vote for all the nominees. If you indicate withhold authority to vote for any nominee on your proxy card, your vote will not count either for or against the nominee.

The persons named in the enclosed proxy intend to vote FOR the election of all the nominees. Each of the nominees currently serves as a director and has consented to be nominated. We do not foresee that any of the nominees will be unable or unwilling to serve, but if such a situation should arise, your proxy will vote in accordance with his or her best judgment.

THE BOARD DEEMS PROPOSAL NO. 1 TO BE IN THE BEST INTERESTS OF SIEBERT FINANCIAL CORP. AND ITS SHAREHOLDERS AND RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE NOMINEES FOR DIRECTOR.

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CORPORATE GOVERNANCE

Board Meetings:

In 2006, the Board of Directors held seven meetings. 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 4350(c)(5) of the Nasdaq Stock Market because Muriel Siebert holds more than 50% of our voting power. 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 held five meetings during 2006. The Audit Committee of our Board of Directors currently consists of Ms. Francy, Chairwoman, Mr. Mazzarella, and Ms. Peterson. The Board of Directors has determined that Ms. Francy, Mr. Mazzarella, and Ms. Peterson are independent within the meaning of Rule 4200(a)(15) of The Nasdaq Stock Market and within the meaning of the applicable rules and regulations of the Securities and Exchange Commission.

The Board of Directors has adopted a written charter for the Audit Committee, a copy of which was filed with our proxy statement for the 2004 Annual Meeting of Shareholders. The Board of Directors has determined that Mr. Mazarella qualifies as an "audit committee financial expert" under the applicable rules of the Securities and Exchange Commission.

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 terminate 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.

**Compensation
Committee of the Board
of Directors:**

The Compensation Committee of our Board of Directors currently consists of Ms. Macon, Chairwoman, Ms. Francy, Mr. Mazarella and Ms. Peterson. The Compensation Committee reviews and makes recommendations to our Board of Directors regarding all forms of compensation provided to our executive officers and directors. The Compensation Committee also administers our stock option and other employee benefit plans. The Compensation Committee does not function pursuant to a formal written charter and as a "Controlled Company" is not required to comply with The Nasdaq Stock Market's independence requirements. The Compensation Committee held six meetings during 2006.

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**Nominating Committee
of the Board of
Directors:**

The Nominating Committee of the Board of Directors currently consists of Ms. Siebert, Ms. Francy, Ms. Macon and Ms. Peterson. Ms. Peterson was appointed Chairwoman of the Nominating Committee in 2006. The Nominating Committee does not function pursuant to a formal written charter and as a "Controlled Company" is not required to comply with The Nasdaq Stock Market's independence requirements. The Nominating Committee was formed in January 2004 and did not meet in 2006.

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 individual 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.

The Nominating Committee will consider shareholder nominees for election to our Board of Directors. In evaluating such nominations, the Nominating Committee will use the same selection criteria the Nominating Committee uses to evaluate other potential nominees. Any shareholder wishing to recommend a director candidate for consideration by the Nominating Committee must do so by sending written notice to our Secretary at 885 Third Avenue, Suite 1720, New York, New York 10022, no later than January 7, 2008, such notice must include the recommended candidate's name, experience, qualifications and biographical data, as well as, information as to whether such candidate would qualify as "independent" within the meaning of Rule 4200(a)(15) of The Nasdaq Stock Market and the applicable rules and regulations of the Securities and Exchange Commission or as an "audit committee financial expert" under applicable rules and regulations of the Securities and Exchange Commission. The submission must be accompanied by a written consent by the nominee to stand for election if nominated by the Board of Directors and to serve if elected by the shareholders and a representation that the information with respect to such nominee is truthful and accurate.

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Indemnification of Officers and Directors:

We indemnify our executive officers and directors 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 Vigilant Insurance Company, in the annual aggregate amount of \$10 million. As to reimbursements by the insurer of our indemnification expenses, the policy has a \$350,000 deductible; there is no deductible for covered liabilities of individual directors and officers. In addition, we have an excess directors and officers liability insurance policy, underwritten by St. Paul Mercury Insurance Co., in the amount of \$5 million.

Annual Shareholders Meeting Attendance Policy:

It is the policy of our Board of Directors that all of our directors are strongly encouraged to attend each annual shareholders meeting. All of our directors attended the 2006 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.siebertnet.com.

Compensation Committee Interlocks and Insider Participation:

The Compensation Committee currently consists of Ms. Jane H. Macon (Chairwoman), Ms. Patricia L. Francy, Mr. Robert P. Mazzarella and Ms. Nancy S. Peterson. None of the members of our Compensation Committee is or has been our officer or employee. No interlocking relationships exist between our Board of Directors or Compensation Committee and the board of directors or compensation committee of any other company, nor has any such interlocking relationship existed in the past. None of our executive officers or directors serves on the board of

directors or compensation committee of any entity which has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

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SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

Management Ownership:

The following table lists share ownership of our common stock as of April 20, 2007. The information includes beneficial ownership by each of our directors, the persons named in the Summary Compensation Table, all directors and executive officers as a group and beneficial owners known by our management to hold at least 5% of our common stock. To our knowledge, each person named in the table has sole voting and investment power with respect to all shares of common stock shown as beneficially owned by such person. Any information in the table on beneficial owners known by management to hold at least 5% of our common stock is based on information furnished to us by such persons or groups and statements filed with the Securities and Exchange Commission.

Name of Beneficial Owner(1)	Shares of Common Stock	Percent of Class
Muriel F. Siebert	20,628,700(2)	89.9%
Ameen Esmail	15,000(3)	*
Joseph M. Ramos, Jr.	□	*
Jeanne M. Rosendale	15,000(4)	*
Daniel Iesu	44,800(3)	*
Patricia L. Francy	41,000(5)	*
Leonard M. Leiman	73,567(6)	*
Jane H. Macon	41,500(5)	*
Robert P. Mazzarella	80,000(3)	*
Nancy S. Peterson	40,000(3)	*
Directors and current executive officers as a group (10 persons)	20,979,567(7)	90.0%

* Less than 1%

- (1) The address for each person named in the table is c/o Siebert Financial Corp., 885 Third Avenue, Suite 1720, New York, New York 10022.
- (2) Includes an option to purchase 750,000 shares of our common stock.
- (3) Represents options to purchase shares of our common stock.
- (4) Represents an option to purchase 10,000 shares of our common stock which is currently exercisable and an option to purchase 5,000 shares of our common stock exercisable within 60 days of April 20, 2006.
- (5) Includes options to purchase 40,000 shares of our common stock.
- (6) Includes options to purchase 71,567 shares of our common stock, of this amount options to purchase 31,567 shares of our common stock at an exercise price of \$4.60 will expire on May 2, 2007.
- (7) Includes options to purchase an aggregate of 1,096,367 shares of our common stock described above which are currently exercisable or which are exercisable within 60 days of April 20, 2007, of this amount options to purchase 31,567 shares of our common stock at

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The following Compensation Discussion and Analysis describes the material elements of the compensation program for our executive officers identified in the Summary Compensation Table below, who we refer to in this discussion as our Named Executive Officers.

Compensation Philosophy and Objectives. We believe that executive compensation should be closely related to increased shareholder value. One of the strengths that contributes to our successes is a strong management team, many of whom have been with us for a number of years. Our compensation program is designed to enable us to attract, retain and reward capable employees who can contribute to our continued success, principally by linking compensation with the attainment of key business objectives. Accordingly, our executive compensation program is designed to provide competitive compensation, support strategic business goals and reflect performance. To achieve these objectives, we maintain a compensation structure consisting of base salary, annual cash bonus and, to a certain extent, equity incentive compensation, each of which is intended to serve our overall compensation objectives. Our philosophy is to keep base salaries on the lower end of what is considered standard for the industry, and to be flexible with bonuses when the circumstances warrant and to take into account the evolving business environment. These compensation components allow us to reward short-term performance while simultaneously encouraging both retention and longer-term operating success.

Our compensation program reflects the following principles:

- Compensation should encourage increased shareholder value.
- Compensation programs should support short- and long-term strategic business goals and objectives.
- Compensation programs should reflect and promote our values and reward individuals for outstanding contributions toward business goals.
- Compensation programs should enable us to attract and retain highly qualified professionals.

Implementing our Compensation Objectives

Generally. The Compensation Committee determines compensation of our Named Executive Officers after carefully reviewing and evaluating the performance of each Named Executive Officer during the year against established goals, leadership qualities, operational performance, business responsibilities, current compensation arrangements and potential to increase shareholder value. Specific factors that are considered when making compensation decisions for our Named Executive Officers include:

- the nature, scope and level of the executive's responsibilities;
- the achievement of specific operational goals;
- our overall performance and profitability;
- the executive's performance compared to the goals and objectives;
- the executive's emphasis on ethics policies, as well as commitment to best practices for corporate compliance.

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When determining bonus and equity incentive awards, we also consider our operational and financial performance during the fiscal year for which the awards are to be made, as well as, our financial performance in prior periods. The Compensation Committee also discusses with each executive his or her duties and those of the other Named Executive Officers under review.

We consider competitive market compensation paid by our peers and other online discount brokerages in determining our Named Executive Officers' salaries, bonuses and equity incentive awards, but we do not attempt to maintain a certain target percentile within a peer group or place undue reliance on that information. We generally keep base salaries on the lower end of what is considered standard for the industry which enables us to be flexible with bonuses when the circumstances warrant and to take into account the evolving business environment.

We strive to achieve an appropriate mix of compensation to meet our objectives. The mix of compensation elements, and the relative proportion of each, that we select for each Named Executive Officer is designed to simultaneously reward recent results and motivate long-term performance.

The Role of the Compensation Committee and the Chief Executive Officer. The Compensation Committee evaluates the performance of the Chief Executive Officer in terms of our operating results and financial performance and determines her compensation in the context of the goals and objectives of our compensation program. For the 2006 fiscal year, our Chief Executive Officer requested that her cash compensation be limited to \$150,000. The Compensation Committee granted this request. The Compensation Committee reviews and approves the Chief Executive Officer's recommendation of salaries and bonuses for our Named Executive Officers. Except for the Chief Executive Officer, the Named Executive Officers do not play a role in their own compensation decision other than discussing with the Compensation Committee his or her duties. Bonuses are awarded for calendar year performance and take into account the accomplishments of the executive and our overall performance.

Employment Agreements. We are not party to an employment agreement with any of our Named Executive Officers. All of our Named Executive Officers are employed at-will. The salary and incentive amounts of our Named Executive Officers are disclosed in the Summary Compensation Table and other tables contained in this proxy statement.

Equity Award Practices. Stock options have been granted under our 1997 Stock Option Plan (the "1997 Plan") prior to its expiration in March 2007. If our shareholders approve the 2007 Long-Term Incentive Plan, future option grants will be made under the 2007 Long-Term Incentive Plan. Restricted stock awards may be granted under our 1998 Restricted Stock Award Plan (the "1998 Plan"). If our shareholders approve the 2007 Long-Term Incentive Plan no further restricted stock awards will be made under our 1998 Plan and all future restricted stock awards will be made under the 2007 Long-Term Incentive Plan. We did not grant any shares of restricted stock in 2006. Stock options granted to Named Executive Officers generally vest over a five-year period and have a ten-year term. On August 21, 2006, the Compensation Committee granted Joseph Ramos, our Chief Financial Officer, an option to purchase 25,000 shares of our common stock, which vests over a five year period and has a ten-year term. The Compensation Committee did not grant any other Named Executive Officer stock options in 2006.

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Material Terms of our 1997 Stock Option Plan. The 1997 Plan was adopted by our Board in March 1997 and approved by our shareholders on December 1, 1997. The 1997 Plan expired in March 2007, and no further options will be issued under the 1997 Plan. The expiration of the 1997 Plan will not affect the rights of holders of options previously granted under the 1997 Plan. The 1997 Plan permitted the issuance of either options intended to qualify as incentive stock options, or ISOs, under Section 422 of the Internal Revenue Code, or options not intended to qualify as ISOs. If our shareholders approve the 2007 Long-Term Incentive Plan as set forth in Proposal No. 2 of this proxy statement, future option grants will be made under the 2007 Long-Term Incentive Plan.

The 1997 Plan provided for the grant of options to purchase shares of our common stock to our employees, employees of our subsidiaries and our non-employee directors. The 1997 Plan was administered by the Compensation Committee of our Board of Directors. The price for which shares of our common stock may be purchased upon the exercise of an option was the fair market value of our common stock on the date of the grant of the option. An ISO granted to an employee who owns stock possessing more than 10% of the total combined voting power of all classes of our stock, however, shall have a purchase price for the underlying shares equal to 110% of the fair market value of our common stock on the date of grant. All options are exercisable in accordance with the terms and conditions described in the option agreement relating to each option. Upon termination of employment or directorship by reason of death, disability or retirement, a participant, or his or her designee, in the event of death or disability, generally has ninety days following such termination to exercise his or her options, regardless of whether the options were otherwise exercisable at the time of such termination. Upon the termination of employment or directorship for any other reason, a participant generally has thirty days following such termination to exercise his or her options, but only to the extent that those options were exercisable at the time of such termination.

Material Terms of our 1998 Restricted Stock Award Plan. Our 1998 Plan provides for awards to key employees of not more than an aggregate of 60,000 shares of our common stock, subject to adjustments for stock splits, stock dividends and other changes in our capitalization, to be issued either immediately after the award or at a future date. As of December 31, 2006, 41,400 shares of our common stock under the 1998 Plan had been awarded and were outstanding. As provided in the 1998 Plan and subject to restrictions, shares awarded may not be disposed of by the recipients for a period of one year from the

date of the award. Cash dividends on shares awarded are held by us for the benefit of the recipients, subject to the same restrictions as the award. These dividends, without interest, are paid to the recipients upon lapse of the restrictions. If our shareholders approve the 2007 Long-Term Incentive Plan as set forth in Proposal No. 2 of this proxy statement, no further grants of restricted stock will be made under the 1998 Plan and any future restricted stock grants will be made under the 2007 Long-Term Incentive Plan.

Material Terms of the proposed 2007 Long-Term Incentive Plan. A description of the material terms of the 2007 Long-Term Incentive Plan is set forth under Proposal No. 2 of this proxy statement.

Effect of Section 162(m) of the Internal Revenue Code. Under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), a publicly held corporation is generally prohibited from deducting as an expense for federal income tax purposes total remuneration in excess of \$1 million paid to any of its chief executive officer or next four most highly compensated executive

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officers in a single taxable year. However, Section 162(m) of the Code provides an exception for "performance based" remuneration, including remuneration attributable to certain stock options. The 2007 Long-Term Incentive Plan, if approved by shareholders at the Annual Meeting, will allow us to qualify future compensation paid to the Named Executive Officers as performance based if the other requirements of Section 162(m) are complied with. Through December 31, 2006, this provision has not affected our tax deductions. The Compensation Committee expects to keep non-"performance-based" remuneration within the \$1 million limit to ensure that all executive compensation will be fully deductible. Nevertheless, although the Compensation Committee considers the net cost to us in making all compensation decisions (including the potential limitation on deductibility of executive compensation), there is no assurance that compensation realized with respect to any particular award will qualify as "performance-based" remuneration.

Stock Ownership. Our Named Executive Officers' stock ownership is set forth in the Security Ownership of Directors and Executive Officers table in this proxy statement. We have not implemented a stock ownership policy or requirement for our Named Executive Officers or directors.

Components of Executive Compensation

Our executive compensation is comprised of two principal components, namely base salary and incentives. Incentives generally consist of cash awards, and to a lesser extent, stock options, and restricted stock awards paid to our Named Executive Officers. Cash bonuses paid to Named Executive Officers are generally tied to our overall performance and that of the Named Executive Officer. If our shareholders do not approve the 2007 Long-Term Incentive Plan we will not be able to grant any further stock options to our Named Executive Officers, directors or other employees.

Base Salary. We pay our Named Executive Officers a base salary to remain competitive in the market. The initial salary levels for our Named Executive Officers were determined at the time they commenced employment with us. The base salary levels are intended to be consistent with competitive pay practices and level of responsibility, with salary increases

reflecting competitive trends, our overall financial performance, our resources, our operational performance and general economic conditions as well as a number of factors relating to the particular individual, including the individual performance of the Named Executive Officer, his or her level of experience and ability and knowledge of the job. The Compensation Committee may decide to increase the salary of the Named Executive Officers.

Bonus. In order to provide incentives for annual performance, we believe that a substantial portion of each Named Executive Officer's compensation should be in the form of a bonus. Each Named Executive Officer's bonus is determined by the Compensation Committee in its discretion after consultation with the Chief Executive Officer. The Compensation Committee believes that such bonuses are appropriate to promote our interests as well as those of our shareholders by providing the Named Executive Officers with financial rewards upon achievement of specified business objectives, which the Compensation Committee believes will ultimately increase the value of our stock, as well as help us attract executives and retain our Named Executive Officers by providing attractive compensation opportunities.

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In order to set cash bonuses for each year, the Compensation Committee examines the Named Executive Officer's individual performance during the year, our financial and operational performance and the compensation levels of executives at similarly situated peer companies. Cash bonuses, if any, are then granted at the end of each calendar year to the Named Executive Officers based on these factors.

Equity Incentive Awards. The Compensation Committee believes that our best interests will be advanced by enabling our Named Executive Officers, who are responsible for our management, growth and success, to receive compensation in the form of long-term incentive awards which may increase in value in conjunction with an increase in the value of our common stock. By this approach, the best interests of shareholders, Named Executive Officers and employees will be closely aligned. We believe that these awards will provide our Named Executive Officers with an incentive to help us grow and remain in their positions with us.

Therefore, subject to the approval by our shareholders at the Annual Meeting of our 2007 Long-Term Incentive Plan, Named Executive Officers and other employees are eligible to receive stock options, giving them the right in the future to purchase shares of our common stock at a specified price, as well as restricted stock. The grant of equity awards is based in large part on an executive's potential contribution to our growth and profitability, based on the Compensation Committee's discretionary evaluation. If our shareholders do not approve the 2007 Long-Term Incentive Plan we will not be able to grant any further stock options to our Named Executive Officers, directors or other employees.

Options granted under our 1997 Plan or, to be granted under our 2007 Long-Term Incentive Plan, subject to the approval of our shareholders at the Annual Meeting, will be at the prevailing market value of our common stock on the date of grant and will only have value if our stock price increases. Generally, grants of options vest over a five-year period and Named Executive Officers must be employed by us for such options to vest. Restricted stock is granted under our 1998 Plan. Restricted stock gives the Named Executive Officers the opportunity to own our stock once the restriction on the restricted stock lapses.

Restricted stock serves as a reward for past performance as well as an incentive towards future performance. Most of our incentive compensation grants have been in the form of stock options. If our shareholders do not approve the 2007 Long-Term Incentive Plan we will not be able to grant any further stock options to our Named Executive Officers, directors or other employees. Failure of the shareholders to approve our 2007 Long-Term Incentive Plan will not affect the rights of existing holders or the options previously granted under the 1997 Plan.

We have sometimes granted equity awards at the time our Named Executive Officers became our employees, namely upon Mr. Esmail becoming our Executive Vice President and Director of Business Development in 2003 and Ms. Rosendale becoming our Executive Vice President and General Counsel in 2004. Mr. Ramos, our Executive Vice President and Chief Financial Officer, was the only Named Executive Officer to receive an equity award in 2006. Prior to such time he had not been awarded any stock options or restricted stock.

Employee Benefits. Our Named Executive Officers are eligible to participate in 401(k), long-term disability, medical, dental or any other plan or arrangement generally available to our executives.

2006 Compensation

The discussion below details the compensation packages awarded to our Named Executive Officers for the 2006 fiscal year. This discussion should be reviewed in conjunction with the Summary Compensation Table, as well as the executive compensation tables and narrative contained in this proxy statement. In addition, our operating and financial results are disclosed in our annual report which was filed with the Securities and Exchange Commission and accompanies this proxy statement. A detailed analysis of our financial performance is contained in the Management's Discussion and Analysis section of our 2006 Annual Report.

CEO Compensation. For the 2006 fiscal year our Chief Executive Officer requested that her cash compensation be limited to \$150,000. The Compensation Committee granted this request. In addition, on August 21, 2006, we paid a dividend of eight cent per share on our common stock. Ms. Siebert, our Chief Executive Officer and majority shareholder, waived the right to receive the dividend in excess of the aggregate amount paid to the other shareholders.

Other Named Executive Officers. In determining the compensation of Messrs. Ramos, Esmail and Iesu and Ms. Rosendale, the Compensation Committee considered our 2006 financial performance and the achievement of performance objectives described above. The Compensation Committee compared each Named Executive Officer's achievements against the individual performance objectives established for each of them, including goals related to the specific area of our business for which each is responsible. For all Named Executive Officers, the Compensation Committee awarded bonus amounts to reflect the contributions of such Named Executive Officers during 2006 to our long-term business strategy and development.

In 2006, Mr. Ramos's salary was \$195,000. In consideration of our financial performance and his contributions and achievement of individual performance goals, Mr. Ramos was awarded a bonus payment of \$95,000. In addition, in August 2006, Mr. Ramos was granted

an option to purchase 25,000 shares of our common stock. The total 2006 compensation for Mr. Ramos was \$336,250, which includes \$46,250, the dollar amount recognized for financial reporting purposes of the options granted to Mr. Ramos in 2006. We believe that Mr. Ramos's 2006 compensation is consistent with our stated compensation objectives.

In 2006, Mr. Esmail's salary was \$185,000. In consideration of our financial performance and his contributions and achievement of individual performance goals, Mr. Esmail was awarded a bonus payment of \$85,000. The total 2006 compensation for Mr. Esmail was \$270,000. We believe that Mr. Esmail's 2006 compensation is consistent with our stated compensation objectives.

In 2006, Ms. Rosendale's salary was \$300,000. In consideration of our financial performance and her contributions and achievement of individual performance goals, Ms. Rosendale was awarded a bonus payment of \$145,000. The total 2006 compensation for Ms. Rosendale was \$445,000. We believe that Ms. Rosendale's 2006 compensation is consistent with our stated compensation objectives.

In 2006, Mr. Iesu's salary was \$120,000. In consideration of our financial performance and his contributions and achievement of individual performance goals, Mr. Iesu was awarded a bonus payment of \$80,000. The total 2006 compensation for Mr. Iesu was \$200,000. We believe that Mr. Iesu's 2006 compensation is consistent with our stated compensation objectives.

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Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis (the "CD&A") for the year ended December 31, 2006 with management. In reliance on the review and discussions with management, the Compensation Committee recommended to the Board of Directors and the Board has approved, that the CD&A be included in the proxy statement for the year ended December 31, 2006 for filing with the Securities and Exchange Commission.

By the Compensation Committee of the Board of Directors:

Jane H. Macon, *Chairwoman*

Patricia Francy

Robert P. Mazzarella

Nancy S. Peterson

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Summary Compensation Table

The following table shows, for the year ended December 31, 2006, the annual compensation paid to or earned by (1) our CEO, and (2) each of the four most highly compensated individuals who were serving as our executive officers at December 31, 2006, collectively, the "Named Executive Officers".

	Non-Equity	Non-qualified Deferred
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Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)(1)	Incentive Plan Compensation (\$)	Compensation Earnings (\$)	Other Compensation (\$)	Total Compensation (\$)
Muriel F. Siebert Chairwoman and President	2006	150,000	0	0	0	0	0	0	150,000
Joseph M. Ramos, Jr. Executive Vice President and Chief Financial Officer	2006	195,000	95,000	0	46,250(2)	0	0	0	336,250
Ameen Esmail Executive Vice President and Director of Business Development	2006	185,000	85,000	0	0	0	0	0	270,000
Jeanne M. Rosendale Executive Vice President and General Counsel	2006	300,000	145,000	0	0	0	0	0	445,000
Daniel Iesu Secretary	2006	120,000	80,000	0	0	0	0	0	200,000

- (1) Represents the dollar amount recognized for financial statement reporting in accordance with FAS 123(R).
- (2) On August 17, 2006, Mr. Ramos was granted an option to purchase 25,000 shares of our common stock at an exercise price of \$2.75 per share, the fair market value on the grant date. This option vests as to 5,000 shares on each anniversary of the grant date.

Grants of Plan-Based Awards

Our Compensation Committee approved grants of options to purchase our common stock under our 1997 Stock Option Plan to our Named Executive Officers as set forth in the following grants of plan-based awards table during the year ended December 31, 2006

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Total Compensation (\$)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (\$)	Target (\$)	Maximum (\$)			
Muriel F. Siebert	0	0	0	0	0	0	0	0	0	0
Joseph M. Ramos, Jr.	8/17/2006	0	0	0	0	0	0	25,000(1)	0	2
Ameen Esmail	0	0	0	0	0	0	0	0	0	0
Jeanne M. Rosendale	0	0	0	0	0	0	0	0	0	0
Daniel Iesu	0	0	0	0	0	0	0	0	0	0

- (1) On August 17, 2006, Mr. Ramos was granted an option to purchase 25,000 shares of our common stock at an exercise price of \$2.75 per share, the fair market value on the grant date. This option vests as to 5,000 shares on each anniversary of the grant date.

(2) Represents the dollar amount recognized for financial statement reporting in accordance with FAS 123(R)

We are not party to an employment agreement with any of our Named Executive Officers. All of our Named Executive Officers are employed at-will. The salary and incentive amounts of our Named Executive Officers are disclosed in the Summary Compensation Table.

The Compensation Committee granted Mr. Ramos an option to purchase 25,000 shares of our common stock on August 17, 2006 at an exercise price of \$2.75, the fair market value on the grant date. Mr. Ramos's option vests as to 20% on each anniversary of the grant date and has a ten year term.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth the outstanding equity award holdings of our Named Executive Officers at December 31, 2006.

OPTION AWARDS

STOCK AWARDS

Equity Incentive Plan	Equity Incentive Plan Awards:
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