

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2001

Commission File Number 1-15799

LADENBURG THALMANN FINANCIAL SERVICES INC.

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

FLORIDA

65-0701248

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

590 MADISON AVENUE
NEW YORK, NEW YORK

10022

(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

(ZIP CODE)

(212) 409-2000

(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

GBI CAPITAL MANAGEMENT CORP.
1055 STEWART AVENUE, BETHPAGE, NEW YORK 11714
SEPTEMBER 30

(FORMER NAME, FORMER ADDRESS AND FORMER FISCAL YEAR,
IF CHANGED SINCE LAST REPORT)

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

As of June 30, 2001, there were outstanding 36,988,430 shares of the registrant's Common Stock, \$.0001 par value. (See Note 2 to the Condensed Consolidated Financial Statements.)

LADENBURG THALMANN FINANCIAL SERVICES INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2001

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LADENBURG THALMANN FINANCIAL SERVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands, except per share amounts)
(Unaudited)

<TABLE>
<CAPTION>

	June 30, 2001	December 31, 2000
	<C>	<C>
ASSETS		
Cash and cash equivalents	\$ 4,535	\$ 3,928
Trading securities owned	12,628	18,348
Due from affiliates	--	347
Receivables from clearing brokers	25,168	10,126
Exchange memberships owned, at historical cost	1,505	1,505
Furniture and equipment, net	11,222	6,544
Restricted assets	3,295	2,598
Income taxes receivable	2,927	--
Deferred tax assets	6,861	2,050
Goodwill	19,406	176
Other assets	7,308	4,732
	-----	-----
Total assets	\$ 94,855	\$ 50,354
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Securities sold, not yet purchased	\$ 7,876	\$ 3,570
Accrued compensation	7,307	7,142
Accounts payable and accrued liabilities	7,649	3,484
Deferred rent credit	7,106	5,724
Due to parent and affiliates	450	134
	-----	-----
Total liabilities	30,388	20,054
	-----	-----
Commitments and contingencies	--	--
Senior convertible notes payable	20,000	--
Stockholders' equity:		
Preferred stock, \$.0001 par value; 2,000,000 shares authorized; none issued	--	--
Common stock, \$.0001 par value; 100,000,000 shares authorized; 42,025,211 and 18,806,612 shares issued and outstanding	4	2
Additional paid-in capital	56,014	38,983
Accumulated deficit	(11,551)	(8,685)
	-----	-----
Total stockholders' equity	44,467	30,300
	-----	-----
Total liabilities and stockholders' equity	\$ 94,855	\$ 50,354
	=====	=====

</TABLE>

See accompanying notes to condensed
consolidated financial statements

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LADENBURG THALMANN FINANCIAL SERVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except per share amounts)
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Revenues:				
Principal transactions, net	\$ 8,140	\$ 4,383	\$ 16,988	\$ 15,719
Commissions	7,658	8,499	11,820	21,528
Investment banking fees	2,301	4,408	5,875	8,644
Interest and dividends	1,028	1,330	1,774	2,444
Syndications and underwritings	224	94	270	288
Investment advisory fees	679	776	1,689	1,565
Other income	1,138	541	1,662	1,130
Total revenues	21,168	20,031	40,078	51,318
Expenses:				
Compensation and benefits	14,370	12,638	26,639	32,398
Brokerage, communication and clearance fees	4,343	2,296	7,394	4,740
Rent and occupancy	1,595	1,390	2,874	2,709
Depreciation and amortization	643	271	942	543
Interest	293	46	376	92
Other	3,612	3,227	5,905	5,790
Total expenses	24,856	19,868	44,130	46,272
(Loss) income from continuing operations before income taxes	(3,688)	163	(4,052)	5,046
Income tax (benefit) provision	(1,094)	(696)	(1,186)	640
Net (loss) income	\$ (2,594)	\$ 859	\$ (2,866)	\$ 4,406
(Loss) income per Common Share (basic and diluted):				
Net (loss) income per Common Share	\$ (0.07)	\$ 0.02	\$ (0.08)	\$ 0.13
Number of shares used in computation	39,025,348	34,647,170	36,848,354	34,647,170

</TABLE>

See accompanying notes to condensed
consolidated financial statements

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LADENBURG THALMANN FINANCIAL SERVICES INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES
IN STOCKHOLDERS' EQUITY
(Dollars in thousands, except per share amounts)
(Unaudited)

<TABLE>
<CAPTION>

	Common Stock	Paid-In Capital	Accumulated Deficit	Total
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 2000	\$ 2	\$ 38,983	\$ (8,685)	\$ 30,300

Net loss	--	--	(2,866)	(2,866)
Effect of LTS acquisition	2	17,031	--	17,033
	-----	-----	-----	-----
Balance, June 30, 2001	\$ 4	\$ 56,014	\$ (11,551)	\$ 44,467
	=====	=====	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements

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LADENBURG THALMANN FINANCIAL SERVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands, except per share amounts)
(Unaudited)

<TABLE>
<CAPTION>

	----- Six Months Ended June 30, -----	
	2001	2000
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net (loss) income	\$ (2,866)	\$ 4,406
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	820	457
Amortization of deferred rent credit	367	401
Deferred taxes	(584)	(655)
(Increase) decrease in operating assets:		
Trading securities owned	8,616	2,045
Receivables from clearing brokers	(7,842)	(2,692)
Due from affiliates	(347)	842
Other assets	697	617
Increase (decrease) in operating liabilities:		
Securities sold, not yet purchased	906	(6,649)
Accrued compensation	(1,149)	(1,181)
Income taxes payable	(735)	705
Accounts payable and other liabilities	(881)	(3)
Due to parent and affiliate	25	91
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(2,973)	(1,616)
	-----	-----
Cash flows from investing activities:		
Purchase of furniture, equipment and leasehold improvements	(1,571)	(309)
Cash acquired in LTS acquisition	5,151	--
	-----	-----
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	3,580	(309)
	-----	-----
Cash flows from financing activities:		
Payments to Ladenburg stockholders	(10,000)	--
Convertible note proceeds	10,000	--
	-----	-----
NET CASH PROVIDED FROM FINANCING ACTIVITIES	--	--
	-----	-----
Net increase (decrease) in cash and cash equivalents	607	(1,925)
Cash equivalents, beginning of period	3,928	4,911
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 4,535	\$ 2,986
	=====	=====
Supplemental disclosure of non-cash activity:		
Detail of acquisition:		
Fair value of assets acquired.....	26,619	--
Goodwill.....	19,385	--
Liabilities assumed.....	(11,263)	--
Fair value of stock acquired.....	(34,741)	--

Cash paid for acquisition.....	\$ --	\$ --
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements

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LADENBURG THALMANN FINANCIAL SERVICES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)
(Unaudited)

1. PRINCIPLES OF REPORTING

The condensed consolidated financial statements include the accounts of Ladenburg Thalmann Financial Services Inc. ("LTS" or the "Company"), formerly known as GBI Capital Management Corp., and its wholly-owned subsidiaries. The subsidiaries of LTS include Ladenburg Thalmann & Co. Inc. ("Ladenburg"), GBI Capital Partners Inc. ("GBI Capital") and GBI Fund Management Corp. ("GBI Fund Management").

Prior to May 7, 2001, GBI Capital and GBI Fund Management were the only subsidiaries of the Company. On May 7, 2001, LTS acquired all of the outstanding common stock of Ladenburg, and its name was changed from GBI Capital Management Corp. to Ladenburg Thalmann Financial Services Inc. For accounting purposes, the acquisition has been accounted for as a reverse acquisition with Ladenburg treated as the acquirer of LTS. (See Note 2). The historical financial statements prior to May 7, 2001 are those of Ladenburg and LTS has changed its fiscal year-end from September 30 to December 31. Pro forma information giving effect to the acquisition as if the acquisition took place on January 1, 2000 is included in Note 2 to these condensed consolidated financial statements.

The condensed consolidated financial statements as of June 30, 2001 presented herein have been prepared by the Company and are unaudited. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position as of June 30, 2001 and the results of operations, and cash flows for all periods presented have been made. Results for the interim periods are not necessarily indicative of the results for the entire year.

These condensed financial statements should be read in conjunction with the consolidated financial statements of Ladenburg for the year ended December 31, 2000 as filed with the Securities and Exchange Commission as Exhibit J(2) to the Company's Proxy Statement dated March 28, 2001, as supplemented (Commission File Number 1-15799).

ORGANIZATION

Ladenburg is a full service-broker dealer that has been a member of the New York Stock Exchange since 1879. It provides its services principally for middle market and emerging growth companies and high net worth individuals through a coordinated effort among corporate finance, research, capital markets, investment management, brokerage and trading professionals. Ladenburg is subject to regulation by the Securities and Exchange Commission ("SEC"), the New York Stock Exchange ("NYSE") and National Association of Securities Dealers, Inc. ("NASD").

GBI Capital is a broker-dealer subject to regulation by the SEC and the NASD. GBI Capital acts as an introducing broker, market maker, underwriter and trader for its own account.

Ladenburg and GBI Capital do not carry accounts for customers or perform custodial functions related to customers' securities. Ladenburg and GBI Capital introduce all of their customer transactions, which are not reflected in these financial statements, to their respective clearing brokers, which maintain the customers' accounts and clear such transactions. Additionally, the clearing brokers provide the clearing and depository operations for Ladenburg's and GBI Capital's proprietary securities transactions. These activities may expose Ladenburg and GBI Capital to off-balance-sheet risk in the event that customers do not fulfill their obligations with the clearing broker, as Ladenburg and GBI Capital have agreed to indemnify their respective clearing brokers for any resulting losses.

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LADENBURG THALMANN FINANCIAL SERVICES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollars in thousands, except per share amounts)
(Unaudited)

At June 30, 2001, all of the securities owned and securities sold, not yet purchased, and the amount receivable from the clearing brokers reflected on the condensed consolidated statements of financial condition are security positions with and amounts due from these clearing brokers.

The Company and its subsidiaries maintain cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Securities transactions, commission revenue and commission expenses are recorded on a trade-date basis. Unrealized gains and losses on securities transactions are included in commissions and trading income in the condensed consolidated statements of operations.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain reclassifications have been made to prior interim period financial information to conform to the current interim period presentation.

NEW ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires unallocated negative goodwill to be written off. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS No. 141 is effective for all business combinations initiated after June 30, 2001 and SFAS 142 is effective for fiscal years beginning after December 15, 2001. Under the adoption of SFAS No. 142, effective January 1, 2002, amortization of goodwill will be subjected to periodic assessments of impairment. Amortization expense related to goodwill was \$151 and \$156 for the three and six months ended June 30, 2001.

2. LADENBURG TRANSACTION

On May 7, 2001, LTS acquired all of the outstanding common stock of Ladenburg for 23,218,599 shares, \$10,000 cash and \$10,000 principal amount of senior convertible notes due December 31, 2005. The notes bear interest at 7.5% per annum and are convertible into 4,799,271 shares of common stock. Upon closing, New Valley Corporation ("New Valley"), the previous 80.1% owner of Ladenburg, acquired an additional 3,945,000 shares of LTS from the former chairman of LTS for \$1.00 per share. Following completion of the transaction, the former stockholders of Ladenburg owned 64.6% and 59.9% of the common stock of LTS on a basic and fully-diluted basis, respectively.

To provide the funds for the acquisition of the common stock of Ladenburg, LTS borrowed \$10,000 from Frost-Nevada, Limited Partnership ("Frost-Nevada") and issued to Frost-Nevada \$10,000 principal amount

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LADENBURG THALMANN FINANCIAL SERVICES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(Unaudited)

of senior convertible notes due December 31, 2005. The notes bear interest at 8.5% per annum and are convertible into 6,497,475 shares of common stock. These notes, together with the notes issued to the Ladenburg stockholders, are secured by a pledge of the Ladenburg stock.

The information above is based on preliminary estimates of the number of shares of LTS common stock and the conversion price of the LTS notes to be issued to the former stockholders of Ladenburg and the conversion price of the LTS note issued to Frost-Nevada. The actual number of shares and the conversion prices may be further adjusted following completion of a post-closing determination of the respective changes in the adjusted net worths of Ladenburg and LTS through April 30, 2001.

The primary reason for the acquisition was both LTS and Ladenburg concluded that each company needed to enlarge the size of its business and the scope of services provided to maintain viability as a participant in today's financial markets.

The transaction has been accounted for under the purchase method of accounting as a reverse acquisition. For accounting purposes, Ladenburg has been treated as the acquirer of LTS as Ladenburg's stockholders held a majority of the LTS common stock following the closing of the transaction. As a result of the reverse acquisition treatment, the historical financial statements prior to May 7, 2001 are those of Ladenburg and the financial results of LTS are included beginning May 7, 2001. LTS has changed its fiscal year-end from September 30 to December 31 to conform to the fiscal year-end of Ladenburg. In connection with the acquisition, all per share data have been restated to reflect retroactively the number of shares of common stock, convertible notes and cash to be received by the former stockholders of Ladenburg.

Under the purchase method of accounting, the assets acquired and liabilities assumed were recorded at estimated fair values as determined by management based on information currently available and on current assumptions as to future operations. Goodwill of \$19,385 has been recognized for the amount of the excess of the purchase price paid over the fair market value of the net assets acquired and is amortized on the straight line basis over 20 years. The purchase price has been allocated to the individual assets acquired and liabilities assumed based upon preliminary estimates of fair value. The actual allocation may be different from preliminary allocation due to refinements in the estimate of the fair values of assets acquired and accrued liabilities assumed; however, such differences are not expected to be material.

The preliminary allocation of the purchase price has been summarized in the following tables:

CALCULATION OF PURCHASE PRICE:

Common stock	\$ 32,912
Stock options	1,422
Transaction costs	407

Total purchase price	\$ 34,741
	=====

PRELIMINARY ALLOCATION OF PURCHASE PRICE:

Assets:	
LTS's assets	\$ 26,619
Goodwill.....	19,385
Liabilities:	
LTS's liabilities	(11,263)

Total purchase price	\$ 34,741
	=====

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LADENBURG THALMANN FINANCIAL SERVICES INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollars in thousands, except per share amounts)
(Unaudited)

The following adjustments, which increased stockholders' equity by \$17,033, were made to stockholders' equity to record the acquisition of LTS.

- o an increase in paid in capital of \$32,912 relating to the deemed issuance of 18,806,612 shares of LTS common stock at \$1.75 per share to existing LTS stockholders;
- o an increase in stockholders' equity of \$1,421 to recognize the value of 1,875,979 stock options outstanding at May 7, 2001 to LTS employee, based on a weighted average fair value of \$0.76 per option. The fair value of the options was determined using the Black-Scholes option pricing model and was based on the following weighted-average assumptions; expected volatility of 85.93%; expected lives of three years; a risk-free interest rate of 4.42%; and no expected dividend yield or forfeiture;
- o an increase of \$2,700 in stockholders' equity principally relating to net operating losses acquired from New Valley in connection with Ladenburg's deconsolidation from New Valley's consolidated federal income tax group;
- o a decrease of \$20,000 in stockholders' equity relating to the issuance of \$10,000 of convertible notes and the payment of \$10,000 of cash to the former stockholders of Ladenburg as part of the consideration in the Stock Purchase Transactions; and,
- o the preliminary allocation of the excess of the purchase price, including transaction costs, over the book value of the

net assets acquired to goodwill in the amount of \$19,385.

Pro forma information giving effect to the acquisition as if the acquisition took place on January 1, 2000 is presented below:

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 29,701	\$ 39,281	\$ 58,980	\$ 123,102
(Loss) income from continuing operations	\$ (5,086)	\$ 977	\$ (7,316)	\$ 9,298
(Loss) income from continuing operations per share	\$ (0.12)	\$ 0.02	\$ (0.17)	\$ 0.22

</TABLE>

3. INCOME TAXES

Prior to May 7, 2001, Ladenburg participated in the consolidated federal income tax return of New Valley, its indirect parent, and determined its income tax provision on a separate company basis. As a result of the LTS acquisition, New Valley's ownership of Ladenburg was decreased from 80.1% to 53.6% and Ladenburg is no longer permitted to participate in the filing of New Valley's consolidated federal income tax return. For the three and six months ended June 30, 2001, the benefit for income taxes differs from the amount of income taxes determined by applying the federal statutory rates principally because of the effect of state and local taxes and permanent differences. For the three and six months ended June 30, 2000, the benefit for income taxes differs from the amount of income taxes determined by applying the federal statutory rates principally because of the utilization of valuation allowances established in prior years. Valuation allowances have been established against certain deferred assets, principally state and local tax net operating losses, that the Company believes may not be realized in future taxable periods.

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LADENBURG THALMANN FINANCIAL SERVICES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)
(Dollars in thousands, except per share amounts)
(Unaudited)

4. NET CAPITAL REQUIREMENTS

As registered broker-dealers, Ladenburg and GBI Capital are subject to the SEC's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital. At June 30, 2001, both Ladenburg and GBI Capital were in compliance with their respective minimum net capital requirements.

5. EQUITY

In connection with the LTS acquisition, Ladenburg entered into a new employment agreement with Victor M. Rivas which provided for Mr. Rivas to become President and Chief Executive Officer of LTS upon closing of the transaction. As part of Mr. Rivas' compensation under the employment agreement, LTS granted him on May 7, 2001 a ten-year non-qualified option to purchase 1,000,000 shares of LTS common stock at \$3.05, the closing market price as reflected by the American Stock Exchange on the date of grant. The options have a ten-year term and become exercisable as to one-third of the shares on each of the first three anniversaries of the date of grant.

On May 7, 2001, the Company granted to each of the new five non-employee directors of the Company ten-year options to purchase 20,000 shares of common stock at \$3.05 per share. Each option will become exercisable on the first anniversary of the date of grant.

6. COMMITMENTS AND CONTINGENCIES

The Company is a defendant in litigation and may be subject to unasserted claims or arbitrations primarily in connection with its activities as a securities broker-dealer and participation in public underwritings. Such litigation and claims involve substantial or indeterminate amounts and are in varying stages of legal proceedings. In the opinion of management, after consultation with counsel, the ultimate resolution of these matters is not expected to have a material adverse effect on the Company's consolidated financial position and results of operations.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
(Dollars in thousands, except per share amounts)

INTRODUCTION

The condensed consolidated financial statements include the accounts of Ladenburg Thalmann Financial Services Inc. ("LTS"), formerly known as GBI Capital Management Corp., and its wholly owned subsidiaries. The subsidiaries of LTS include Ladenburg Thalmann & Co. Inc. ("Ladenburg"), GBI Capital Partners Inc. ("GBI Capital") and GBI Fund Management Corp. ("GBI Fund Management").

Prior to May 7, 2001, GBI Capital and GBI Fund Management were the only subsidiaries of the Company. On May 7, 2001, LTS acquired all of the outstanding common stock of Ladenburg, and its name was changed from GBI Capital Management Corp. to Ladenburg Thalmann Financial Services Inc. The acquisition of Ladenburg has been accounted for under the purchase method of accounting as a reverse acquisition. For accounting purposes, Ladenburg has been treated as the acquirer of LTS as Ladenburg's stockholders held a majority of the LTS common stock following the transaction. As a result of the reverse acquisition treatment, the historical financial statements prior to May 7, 2001 are those of Ladenburg and the financial results of LTS are included beginning May 7, 2001. In connection with the acquisition, all per share data have been restated to reflect retroactively the number of shares of common stock, convertible notes and cash to be received by the former stockholders of Ladenburg. LTS has changed its fiscal year-end from September 30 to December 31 to conform to the fiscal year-end of Ladenburg.

RECENT DEVELOPMENTS

LADENBURG TRANSACTION. On May 7, 2001, LTS acquired all of the outstanding common stock of Ladenburg for 23,218,599 shares, \$10,000 cash and \$10,000 principal amount of senior convertible notes due December 31, 2005. The notes bear interest at 7.5% per annum and are convertible into 4,799,271 shares of common stock. Upon closing, New Valley Corporation ("New Valley"), the previous 80.1% owner of Ladenburg, acquired an additional 3,945,000 shares of LTS from the former chairman of LTS for \$1.00 per share. Following completion of the transaction, the former stockholders of Ladenburg owned 64.6% and 59.9% of the common stock of LTS on a basic and fully-diluted basis, respectively.

To provide the funds for the acquisition of the common stock of Ladenburg, LTS borrowed \$10,000 from Frost-Nevada, Limited Partnership ("Frost-Nevada") and issued to Frost-Nevada \$10,000 principal amount of senior convertible notes due December 31, 2005. The notes bear interest at 8.5% per annum and are convertible into 6,497,475 shares of common stock. These notes, together with the notes issued to the Ladenburg stockholders, are secured by a pledge of the Ladenburg stock.

The information above is based on preliminary estimates of the number of shares of LTS common stock and the conversion price of the LTS notes to be issued to the former stockholders of Ladenburg and the conversion price of the LTS note issued to Frost-Nevada. The actual number of shares and the conversion prices may be further adjusted following completion of a post-closing determination of the respective changes in the adjusted net worths of Ladenburg and LTS through April 30, 2001.

RESULTS OF OPERATIONS

THREE MONTHS ENDED JUNE 30, 2001 VERSUS THREE MONTHS ENDED JUNE 30, 2000

LTS's revenues for the three months ended June 30, 2001 increased \$1,137 from 2000 primarily as a result of increased principal transactions of \$3,757, offset by decreases in investment banking fees of \$2,107 and decreases in commissions of \$841.

LTS's expenses for the three months ended June 30, 2001 increased \$4,988 primarily as a result of increased employee compensation of \$1,732 and increased brokerage, communication and clearance fees of \$2,047.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued
(Dollars in thousands, except per share amounts)

LTS's revenues for the three months ended June 30, 2001 consisted of commissions of \$7,658, principal transactions of \$8,140, investment banking fees of \$2,301, syndicate and underwriting income of \$224, interest and dividends of \$1,028, investment advisory fees of \$679 and other income of \$1,138. LTS's

revenues in the 2000 period consisted of commissions of \$8,499, principal transactions of \$4,383, investment banking fees of \$4,408, syndicate and underwriting income of \$94, interest and dividends of \$1,330, investment advisory fees of \$776 and other income of \$541. Expenses of LTS for the three months ended June 30, 2001 consisted of employee compensation and benefits of \$14,370 and other expenses of \$10,486. Expenses of LTS in the 2000 period consisted of employee compensation and benefits of \$12,638 and other expenses of \$7,230.

The \$3,757 (85.7%) increase in principal transactions was primarily the result of the LTS acquisition, which added an additional \$2,357 of principal transactions from the acquired operations of the LTS, and the expansion of Ladenburg's trading and brokerage activities.

The \$2,107 (47.8%) decrease in investment banking fees was primarily the result of decreased revenue from private placement and advisory assignments due to the decrease in capital markets activity.

The \$841 (9.9%) decrease in commissions was the result of a less active market for equity securities for the three months ended June 30, 2001 offset by the impact of the LTS acquisition, which provided additional commission income of \$4,724.

The increase in compensation expense of \$1,732 was primarily the result of an increase in compensation expense associated with the acquired operations of LTS, offset by a decrease in performance-based compensation.

Income tax benefit for the three months ended June 30, 2001 was \$1,094 compared to an income tax benefit of \$696 in 2000. The income tax rate for the 2001 period does not bear a customary relationship to effective tax rates as a result of state and local income tax expense. The income tax rate in the 2000 period did not bear a customary relationship to effective tax rates as a result of management's evaluation and changes in the Ladenburg's valuation allowance for deferred taxes and utilization of Ladenburg's net operating loss carryforwards.

SIX MONTHS ENDED JUNE 30, 2001 VERSUS SIX MONTHS ENDED JUNE 30, 2000

LTS's revenues for the six months ended June 30, 2001 decreased \$11,240 from 2000 primarily as a result of decreased commissions of \$9,708 and decreased investment banking fees of \$2,769.

LTS's expenses for the six months ended June 30, 2001 decreased \$2,142 primarily as a result of decreased employee compensation of \$5,759 offset by an increase in brokerage, communication and clearance fees of \$2,654.

LTS's revenues for the six months ended June 30, 2001 consisted of commissions of \$11,820, principal transactions of \$16,988, investment banking fees of \$5,875, syndicate and underwriting income of \$270, interest and dividends of \$1,774, investment advisory fees of \$1,689 and other income of \$1,662. LTS's revenues in the 2000 period consisted of commissions of \$21,528, principal transactions of \$15,719, investment banking fees of \$8,644, syndicate and underwriting income of \$288, interest and dividends of \$2,444, investment advisory fees of \$1,565 and other income of \$1,130. Expenses of LTS for the six months ended June 30, 2001 consisted of employee compensation and benefits of \$26,639 and other expenses of \$17,491. Expenses of LTS in the 2000 period consisted of employee compensation and benefits of \$32,398 and other expenses of \$13,874.

The \$1,269 (8.1%) increase in principal transactions was primarily the result of the LTS acquisition, which added an additional \$2,357 of principal transactions from the acquired operations of LTS, and the expansion of Ladenburg's trading and brokerage activities.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued (Dollars in thousands, except per share amounts)

The \$2,769 (32.0%) decrease in investment banking fees was primarily the result of decreased revenue from private placement and advisory assignments due to the decrease in capital markets activity.

The \$9,708 (45.1%) decrease in commissions was the result of a less active market for equity securities for the six months ended June 30, 2001, offset by the impact of the LTS acquisition, which provided additional commission income of \$4,724.

The decrease in compensation expense of \$5,759 was primarily the result of a decrease in performance-based compensation as a result of the decrease in revenues, offset by the inclusion of the compensation expense associated with the acquired operations of LTS.

Income tax benefit for the six months ended June 30, 2001 was \$1,186 compared to an income tax expense of \$640 in 2000. The income tax rate for the 2001 period does not bear a customary relationship to effective tax rates as a result of state income tax expense. The income tax rate in the 2000 period did not bear a customary relationship to effective tax rates as a result of management's evaluation and changes in the Ladenburg's valuation allowance for deferred taxes and utilization of Ladenburg's net operating loss carryforwards.

LIQUIDITY AND CAPITAL RESOURCES

Approximately 44% of LTS's assets at June 30, 2001 are highly liquid, consisting primarily of cash and cash equivalents, securities inventories, and receivables from other broker-dealers, all of which fluctuate, depending upon the levels of customer business and trading activity. Receivables from broker-dealers, which are primarily from LTS's clearing broker, turn over rapidly. As a securities dealer, LTS may carry significant levels of securities inventories to meet customer needs. LTS's inventory of market-making securities is readily marketable; however, holding large blocks of the same security may limit liquidity and prevent realization of full market value for the securities. A relatively small percentage of LTS's total assets, excluding goodwill, are fixed. The total assets or the individual components of total assets may vary significantly from period to period because of changes relating to customer demand, economic and market conditions, and proprietary trading strategies.

LTS's brokerage subsidiaries, Ladenburg and GBI Capital, are subject to the net capital rules of the SEC. Therefore, they are subject to certain restrictions on the use of capital and its related liquidity. At June 30, 2001, both Ladenburg and GBI Capital were in compliance with their respective minimum net capital requirements.

Cash used by operating activities for the six months ended June 30, 2001 was \$2,973 as compared to \$1,616 for the 2000 period. The difference is primarily due to the net loss of \$2,866 in 2001 versus net income of \$4,406 in 2000, the increase in receivables from clearing brokers of \$7,842 in 2001 versus \$2,692 in 2000 and the decrease of \$2,740 in payables and other liabilities in 2001 versus \$388 in 2000, offset by a net decrease in LTS's net trading securities of \$14,126.

Cash flows provided from investing activities for the six months ended June 30, 2001 were \$3,580 compared to cash flows used by investing activities of \$309 for the 2000 period. The difference is primarily attributable to cash of \$5,151 acquired in the LTS acquisition, offset by an increase in purchases of furniture, equipment.

The capital expenditures of \$1,571 and \$309 for the six months ended June 30, 2001 and 2000, respectively, related principally to the enhancements and improvements to computer equipment and furniture and fixtures.

LTS's overall capital and funding needs are continually reviewed to ensure that its capital base can support the estimated needs of its business units. These reviews take into account business needs as well as regulatory capital requirements of the subsidiary. Based upon these reviews, management believes that the Company's capital structure is adequate for current operations and reasonably foreseeable future needs.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - continued (Dollars in thousands, except per share amounts)

LTS's brokerage subsidiaries, as guarantors of their customer accounts to their clearing brokers, are exposed to off-balance-sheet risks in the event that their customers do not fulfill their obligations with the respective clearing broker. In addition, to the extent LTS's subsidiaries maintain a short position in certain securities, they are exposed to a future off-balance-sheet market risk, since their ultimate obligation may exceed the amount recognized in the financial statements.

In conjunction with the Ladenburg transaction, LTS issued a total of \$20,000 principal amount of senior convertible notes due December 31, 2005. The \$10,000 principal amount of notes issued to the former Ladenburg stockholders bears interest at 7.5% per annum, and the \$10,000 principal amount of notes issued to Frost-Nevada bears interest at 8.5% per annum. The notes are convertible into a total of 11,296,746 shares of common stock and are secured by a pledge of the stock of Ladenburg. If, during any period of 20 consecutive trading days, the closing sale price of LTS's common stock is at least \$8.00, the principal and all accrued interest on the notes will be automatically converted into shares of common stock. The notes also provide that if a change of control occurs, as defined in the notes, LTS must offer to purchase all of the outstanding notes at a purchase price equal to the unpaid principal amount of the notes and the accrued interest.

Ladenburg has a \$2,500 junior subordinated revolving credit agreement that extends through October 31, 2001 with its clearing broker under which outstanding borrowings incur interest at LIBOR plus 2 points. As of June 30, 2001, no borrowings were outstanding.

MARKET RISK

Market risk generally represents the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest and currency exchange rates, equity and commodity prices, changes in the implied volatility of interest rates, foreign exchange rates, equity and commodity prices and also changes in the credit ratings of either the issuer or its related country of origin. Market risk is inherent to both derivative and non-derivative financial instruments, and accordingly, the scope of LTS's market risk management procedures extends beyond derivatives to

include all market risk sensitive financial instruments.

Current and proposed underwriting, corporate finance, merchant banking and other commitments are subject to due diligence reviews by LTS's senior management, as well as professionals in the appropriate business and support units involved. Credit risk related to various financing activities is reduced by the industry practice of obtaining and maintaining collateral. LTS monitors its exposure to counter party risk through the use of credit exposure information, the monitoring of collateral values and the establishment of credit limits.

LTS maintained inventories of trading securities at June 30, 2001 with fair market values of \$12,628 in long positions and \$7,876 in short positions. LTS performed an entity-wide analysis of its financial instruments and assessed the related risk. Based on this analysis, in the opinion of management, the market risk associated with LTS's financial instruments at June 30, 2001 will not have a material adverse effect on the its consolidated financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk" is incorporated herein by reference.

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PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

See Note 6 to the condensed consolidated financial statements of the Company included in Part I, Item 1 of this Report.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

No securities of the Company which were not registered under the Securities Act of 1933 have been issued or sold by the Company during the quarter ended June 30, 2001, except on May 7, 2001; (i) the Company granted to each of the five non-employee directors of the Company options to purchase 20,000 shares of common stock at an exercise price of \$3.05 per share; (ii) the Company granted an option for 100,000 shares of common stock to the former Administrator of the Company at an exercise price of \$3.05; (iii) the Company granted an option of 1,000,000 shares of common stock to the President and Chief Executive Officer of the Company at an exercise price of \$3.05; and (iv) shares of common stock and senior convertible notes were issued to the former stockholders of Ladenburg and senior convertible notes were issued to Frost-Nevada as described in Note 2 to the condensed consolidated financial statements of the Company included in Part I, Item 1 of this Report. The foregoing transactions were effected in reliance of the exemption from registration afforded by Section 4(2) of the Securities Act of 1933 or did not involve a "sale" under the Securities Act of 1933.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS

During the second quarter of 2001, the Company submitted certain matters to a vote of security holders at its Annual Meeting of Stockholders held on May 7, 2001. Proxies for the Annual Meeting were solicited pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

At the Annual Meeting, every holder of record of common stock of the Company at the close of business on March 23, 2001 was entitled to one vote for each share held. As of the record date, the Company had outstanding 18,806,612 shares of common stock.

The holders of a majority of the outstanding shares entitled to vote at the Annual Meeting were either present in person or represented by proxy, and constituted a quorum for the transaction of business at the Annual Meeting, as indicated in the following table:

Shares Outstanding	Present in Person or Represented by Proxy	
	No. of Shares	Percent of Votes
18,806,612	15,829,753	84.2%

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1. To approve the issuance of the shares of common stock and senior convertible promissory notes in connection with the purchase of the common stock of Ladenburg.

<TABLE>
<CAPTION>

	FOR		AGAINST		ABSTAIN		BROKER NON-VOTES	
	No. of Votes	% of Votes	No. of Votes	% of Votes	No. of Votes	% of Votes	No. of Votes	% of Votes
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	14,830,557	78.9%	7,700	0.0%	1,400	0.0%	3,966,955	21.1%

</TABLE>

2. Nine nominees were elected as directors of the Company by a plurality of the votes cast to serve until the next annual stockholders' meeting.

<TABLE>
<CAPTION>

	VOTED FOR DIRECTORS		VOTE WITHHELD	
	No. of Votes	Percent of Votes	No. of Votes	Percent of Votes
<S>	<C>	<C>	<C>	<C>
Richard Rosenstock	15,690,751	99.1%	139,002	0.01%
Mark Zeitchick	15,690,751	99.1%	139,002	0.01%
Vincent Mangone	15,690,751	99.1%	139,002	0.01%
Bennett S. LeBow	15,690,751	99.1%	139,002	0.01%
Howard M. Lorber	15,690,751	99.1%	139,002	0.01%
Victor M. Rivas	15,690,751	99.1%	139,002	0.01%
Phillip Frost, M.D.	15,690,751	99.1%	139,002	0.01%
Henry C. Beinstein	15,690,751	99.1%	139,002	0.01%
Robert J. Eide	15,690,751	99.1%	139,002	0.01%

</TABLE>

3. To authorize an amendment to the Company's articles of incorporation, conditional upon the consummation of the acquisition of the common stock of Ladenburg, to change the Company's name from "GBI Capital Management Corp." to "Ladenburg Thalmann Financial Services Inc."

<TABLE>
<CAPTION>

	FOR		AGAINST		ABSTAIN		BROKER NON-VOTES	
	No. of Votes	% of Votes	No. of Votes	% of Votes	No. of Votes	% of Votes	No. of Votes	% of Votes
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	14,830,557	78.9%	7,700	0.0%	1,400	0.0%	3,966,955	21.1%

</TABLE>

4. To authorize an amendment to the Company's 1999 Performance Equity Plan to increase the number of shares of common stock available for issuance under the plan from 3,000,000 to 5,500,000 shares and to allow the Compensation Committee to grant an option under the plan to Victor M. Rivas to purchase 1,000,000 shares of common stock.

<TABLE>
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	FOR		AGAINST		ABSTAIN		BROKER NON-VOTES	
	No. of VOTES	% of VOTES	No. of VOTES	% of VOTES	No. of VOTES	% of VOTES	No. of VOTES	% of VOTES
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	14,830,959	78.9%	5,550	0.0%	3,200	0.0%	3,966,953	21.1%

</TABLE>

- 10.1 Stock Option Agreement, dated as of May 7, 2001, between Ladenburg Thalmann Financial Services Inc. and Victor M. Rivas.
- 10.2 Stock Option Agreement, dated as of May 7, 2001, between Ladenburg Thalmann Financial Services Inc. and David Thalheim.
- 10.3 Form of Stock Option Agreement, dated as of May 7, 2001, between Ladenburg Thalmann Financial Services Inc. and certain directors.
- 10.3.1 Schedule of Stock Option Agreements in the form of Exhibit 10.3, including material detail in which such documents differ from Exhibit 10.3.

(b) REPORTS ON FORM 8-K

DATE ----	ITEMS -----	FINANCIAL STATEMENTS -----
May 1, 2001	1, 2, 7	None
May 14, 2001	1, 2, 4, 7, 8	Ladenburg Thalmann & Co. Inc.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LADENBURG THALMANN FINANCIAL SERVICES INC.
(Registrant)

Date: August 13, 2001 By: /s/ J. BRYANT KIRKLAND III

J. Bryant Kirkland III
Chief Financial Officer
(Duly Authorized Officer and
Chief Accounting Officer)

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LADENBURG THALMANN FINANCIAL SERVICES INC.
1055 STEWART AVENUE
BETHPAGE, NY 11714

May 7, 2001

Mr. Victor M. Rivas
Ladenburg Thalmann & Co. Inc.
590 Madison Avenue
New York, NY 10022

Dear Mr. Rivas:

We are pleased to inform you that Ladenburg Thalmann Financial Services Inc. (the "Company") has granted you a nonqualified option (the "Option") to purchase 1,000,000 shares of the Company's common stock, par value \$.0001 per share (the "Common Stock"), at a purchase price of \$3.05 per share (any of the underlying shares of Common Stock to be issued upon exercise of the Option are referred to hereinafter as the "Shares"), pursuant to the Company's 1999 Performance Equity Plan, as may be and is in effect and as amended from time to time (the "Plan"). Except as otherwise provided herein, this agreement is subject in all respects to the terms and provisions of the Plan, all of which terms and provisions are made a part of and incorporated in this agreement as if they were each expressly set forth herein. In the event of any conflict between the terms of this agreement and the terms of the Plan, the terms of the Plan shall control.

1. The Option may be exercised on or prior to May 7, 2011 (after which date the Option will, to the extent not previously exercised, expire). The Option shall vest and become exercisable as follows:

- (a) as to 333,333 of the Shares, on and after May 7, 2002, provided you are then employed by the Company and/or one of its Subsidiaries (as defined in the Plan);
- (b) as to 666,666 of the Shares, on and after May 7, 2003, provided you are then employed by the Company and/or one of its Subsidiaries; and
- (c) as to 1,000,000 of the Shares, on and after May 7, 2004, provided you are then employed by the Company and/or one of its Subsidiaries.

Mr. Victor M. Rivas
May 7, 2001
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However, any then unexercised portion of the Option shall earlier vest and become immediately exercisable upon (i) the occurrence of a "Change in Control" as defined in Section 7(H) of the Employment Agreement dated as of February 8, 2001, by and between you and Ladenburg Thalmann & Co. Inc., regardless of whether the Employment Agreement is then in effect (the "Employment Agreement"), or (ii) the termination of your employment with the Company due to death or Disability (as defined in Section 7(B) of the Employment Agreement).

2. The Option, from and after the date it vests and becomes exercisable pursuant to Section 1 hereof, may be exercised in whole or in part by delivering to the Company a written notice of exercise in the form attached hereto as Exhibit A, specifying the number of the Shares to be purchased and the purchase price therefor, together with payment of the purchase price of the Shares to be purchased. The purchase price is to be paid in cash or by delivering shares of Common Stock already owned by you for at least six months and having a Fair Market Value (as defined in the Plan) on the date of exercise equal to the purchase price of the Option being exercised, or a combination of such shares and cash.

In addition, payment of the purchase price of the Shares to be purchased may also be made by delivering a properly executed notice to the Company, together with a copy of the irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the purchase price, and, if required, the amount of any federal, state or local withholding taxes.

No Shares shall be issued until full payment therefor has been made. You shall have all of the rights of a stockholder of the Company holding the Common Stock that is subject to the Option (including, if applicable, the right to vote the Shares and the right to receive dividends thereon), when you have given written notice of exercise, have paid in full for such Shares and, if requested, have given the certificate described in Section 9 hereof.

3. In the event your employment with the Company is terminated for any reason, the Option shall forthwith terminate, provided that you may exercise any then unexercised portion of the Option then vested and exercisable pursuant to Section 1 hereof at any time prior to the earlier of nine months after the termination of your employment (one year in the event of death or Disability), or the expiration of the Option.

4. The Option is not transferable except (i) by will or the applicable laws of descent and distribution, (ii) as a gift to a foundation, charity or other not-for-profit organization, or (iii) for transfers to your family members or trusts or other entities whose beneficiaries are your family members, provided that such transfer is being made for estate, tax and/or personal planning purposes and will not have adverse tax consequences to the Company.

Mr. Victor M. Rivas
May 7, 2001
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5. In the event of your death or Disability, the Option may be exercised by your personal representative or representatives, or by the person or persons to whom your rights under the Option shall pass by will or by the applicable laws of descent and distribution, within the one year period following termination due to death or Disability.

6. In the event of any change in capitalization affecting the Common Stock of the Company, including, without limitation, a stock dividend or other distribution, stock split, reverse stock split, recapitalization, consolidation, subdivision, split-up, spin-off, split-off, combination or exchange of shares or other form of reorganization or recapitalization, or any other change affecting the Common Stock, the aggregate number of shares of Common Stock covered by the Option and the exercise price per share of Common Stock subject to the Option shall be proportionately adjusted by the Company.

7. The grant of the Option does not confer on you any right to continue in the employ of the Company or any of its subsidiaries or affiliates or interfere in any way with the right of the Company or its subsidiaries or affiliates to terminate the term of your employment.

8. The Company shall require as a condition to the exercise of any portion of the Option that you pay to the Company, or make other arrangements regarding the payment of, any federal state or local taxes required by law to be withheld as a result of such exercise.

9. Unless at the time of the exercise of any portion of the Option a registration statement under the Securities Act of 1933, as amended (the "Act"), is in effect as to the Shares, the Shares shall be acquired for investment and not for sale or distribution, and if the Company so requests, upon any exercise of the Option, in whole or in part, you agree to execute and deliver to the Company a reasonable certificate to such effect.

10. You understand and acknowledge that: (i) any Shares purchased by you upon exercise of the Option may be required to be held indefinitely unless such Shares are subsequently registered under the Act or an exemption from such registration is available; (ii) any sales of such Shares made in reliance upon Rule 144 promulgated under the Act may be made only in accordance with the terms and conditions of that Rule (which, under certain circumstances, restrict the number of shares which may be sold and the manner in which shares may be sold); (iii) certificates for Shares to be issued to you hereunder shall bear a legend to the effect that the Shares have not been registered under the Act and that the Shares may not be sold, hypothecated or otherwise transferred in the absence of an effective registration statement under the Act relating thereto or an opinion of counsel satisfactory to the Company that such registration is not required; and (iv) the Company shall place an appropriate "stop transfer" order with its transfer agent with respect to such Shares.

Mr. Victor M. Rivas

May 7, 2001

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11. Article XI and Sections 14.3(a) and (b) of the Plan shall not be applicable to the Option.

12. The Company represents and warrants to you as follows: (i) this agreement and the grant of the Option hereunder have been authorized by all necessary corporate action by the Company and this letter agreement is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms; (ii) the grant of the Option to you on the terms set forth herein will be exempt from the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, pursuant to Rule 16b-3(d) thereunder; (iii) the Company will obtain, at its expense, any regulatory approvals necessary or advisable in connection with the grant of the Option or the issuance of the Shares; and (iv) the Company currently has reserved and available, and will continue to have reserved and available during the term of the Option, sufficient authorized and issued shares of its Common Stock for issuance upon exercise of the Option.

13. Promptly following the date hereof, the Company shall use its best efforts to file and keep in effect a Registration Statement on Form S-8, Form S-3 or other applicable form to register under the Act the Shares issuable to you upon exercise of the Option and the resale thereof by you.

14. This letter agreement contains all the understandings between the Company and you pertaining to the matters referred to herein, and supercedes all undertakings and agreements, whether oral or in writing, previously entered into by the Company and you with respect hereto. No provision of this letter agreement may be amended or waived unless such amendment or waiver is agreed to in writing signed by you and a duly authorized officer of the Company. No waiver by the Company or you of any breach by the other party hereto of any condition

or provision of this letter agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time. If any provision of this letter agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this letter agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law. This letter agreement will be governed by and construed in accordance with the laws of the State of New York, without regard to its conflicts of laws principles. This letter agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

Mr. Victor M. Rivas
May 7, 2001
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Would you kindly evidence your acceptance of the Option and your agreement to comply with the provisions hereof by executing this letter agreement in the space provided below.

Very truly yours,

LADENBURG THALMANN FINANCIAL SERVICES INC.

By: /s/ RICHARD J. ROSENSTOCK

Richard J. Rosenstock
Vice Chairman and Chief Operating
Officer

AGREED TO AND ACCEPTED:

/s/ VICTOR M. RIVAS

Victor M. Rivas

EXHIBIT A

Ladenburg Thalmann Financial Services Inc.
1055 Stewart Avenue
Bethpage, NY 11714

Gentlemen:

Notice is hereby given of my election to purchase _____ shares of Common Stock, \$.0001 par value (the "Shares"), of Ladenburg Thalmann Financial Services Inc., at a price of \$_____ per Share, pursuant to the provisions of the stock option granted to me on May 7, 2001. Enclosed in payment for the Shares is:

- [] my check in the amount of \$_____.
- [] _____ Shares having a total value of \$_____, such value being based on the closing price(s) of the Shares on the date hereof.

The following information is supplied for use in issuing and registering the Shares purchased hereby:

Number of Certificates
and Denominations _____

Name _____

Address _____

Social Security No. _____

Dated:

Very truly yours,

Victor M. Rivas

STOCK OPTION AGREEMENT

AGREEMENT made as of the 7th day of May, 2001, by and between LADENBURG THALMANN FINANCIAL SERVICES INC., a Florida corporation (the "Company"), and David Thalheim (the "Consultant").

WHEREAS, on April 13, 2001, pursuant to the terms and conditions of the Company's 1999 Performance Equity Plan (the "Plan"), the Board of Directors of the Company or the Committee (as such term is defined in the Plan) authorized the grant to the Consultant of an option (the "Option") to purchase an aggregate of 100,000 shares of the authorized but unissued common stock of the Company, par value \$0.0001 (the "Common Stock"), in connection with and pursuant to the Second Amendment to the Employment Agreement, dated as of February 8, 2001, between Consultant, GBI Capital Partners Inc. and the Company ("Resignation Agreement"), and conditioned upon the Consultant's acceptance of the Option upon the terms and conditions set forth in this Agreement and subject to the terms of the Plan (capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Plan); and

WHEREAS, the Consultant desires to acquire the Option on the terms and conditions set forth in this Agreement and subject to the terms of the Plan;

IT IS AGREED:

1. GRANT OF STOCK OPTION. The Company hereby grants the Consultant the Option to purchase all or any part of an aggregate of 100,000 shares of Common Stock (the "Option Shares") on the terms and conditions set forth herein and subject to the provisions of the Plan.

2. NON-INCENTIVE STOCK OPTION. The Option represented hereby is not intended to qualify as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. EXERCISE PRICE. The exercise price of the Option shall be \$3.05 per share, subject to adjustment as hereinafter provided.

4. EXERCISABILITY. This Option shall be fully vested as of the date hereof and shall remain exercisable from May 7, 2001 until the close of business on May 7, 2011 (the "Exercise Period").

5. WITHHOLDING TAX. Not later than the date as of which an amount first becomes includible in the gross income of the Consultant for Federal income tax purposes with respect to the Option, the Consultant shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. The obligations of the Company under the Plan

and pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Consultant from the Company.

6. ADJUSTMENTS. In the event of any reorganization, consolidation, dividend (other than cash dividend), stock split, reverse stock split, or other similar change in corporate structure affecting the number of issued shares of Common Stock as a whole, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of the Consultant's proportionate interest in the

Company and his rights hereunder, provided that the number of Option Shares shall always be a whole number.

7. METHOD OF EXERCISE.

7.1 NOTICE TO THE COMPANY. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

7.2 DELIVERY OF OPTION SHARES. The Company shall deliver a certificate for the Option Shares to the Consultant as soon as practicable after payment therefor.

7.3 PAYMENT OF PURCHASE PRICE.

7.3.1 CASH PAYMENT. The Consultant shall make cash payments by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company; the Company shall not be required to deliver certificates for Option Shares until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

7.3.2 CASHLESS PAYMENT. At the election of the Consultant, the purchase price for any or all of the Option Shares to be acquired may be paid by: (i) the surrender of shares of Common Stock of the Company held by or for the account of the Consultant with a "fair market value" equal to the purchase price multiplied by the number of Option Shares to be purchased, or (ii) the surrender of any exercisable but unexercised portion of the Option having a "value" equal to the purchase price multiplied by the number of Option Shares to be purchased. In either case, the fair market value of the surrendered shares or the value of the options shall be determined as of the date of exercise as follows: "Fair market value" of the Common Stock means, as of the exercise date: (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last day trading day preceding such date, as reported by the exchange or Nasdaq, as

the case may be; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price of the Common Stock on the last trading day preceding such date for which such quotations are reported by the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Company shall determine, in good faith. The "value" of a surrendered portion of the Option means, as of the exercise date, an amount equal to the excess of the total fair market value of the shares of Common Stock underlying the surrendered portion of the Option (as determined in accordance with the immediately preceding sentence) over the total purchase price of such shares of Common Stock underlying the surrendered portion of the Option. The Company shall issue a certificate or certificates evidencing the Option Shares as soon as practicable after the notice and payment is received. The certificate or certificates evidencing the Option Shares shall be registered in the name of the person or persons so exercising the Option.

7.3.3 PAYMENT THROUGH BANK OR BROKER. At the election of the Consultant, the Consultant may make arrangements satisfactory to the

Company with a Bank or broker who is member of the National Association of Securities Dealers, Inc. to either (a) sell on the exercise date a sufficient number of the Option Shares being purchased so that the net proceeds of the sale transaction will at least equal the Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes and pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company on a date satisfactory to the Company, but no later than the date on which the sale transaction would settle in the ordinary course of business or (b) obtain a "margin commitment" from the bank or broker pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company, immediately upon receipt of the Option Shares.

7.3.4 PAYMENT PRICE OF WITHHOLDING TAX. Any required withholding tax may be paid in cash or with Common Stock in accordance with Sections 7.3.1., 7.3.2. or 7.3.3

7.3.5 EXCHANGE ACT COMPLIANCE. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934, as amended ("Exchange Act"); (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

8. NONASSIGNABILITY. The Option shall not be assignable or transferable except by will or by the laws of descent and distribution in the event of the death of the Consultant. No transfer of the Option by the Consultant by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

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9. COMPANY REPRESENTATIONS. The Company hereby represents and warrants to the Consultant that:

(1) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(2) the Option Shares, when issued and delivered by the Company to the Consultant in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

10. CONSULTANT REPRESENTATIONS. The Consultant hereby represents and warrants to the Company that

(1) he is acquiring the Option and shall acquire the Option Shares for his own account and not with a view towards the distribution thereof;

(2) he has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the

Exchange Act within the last 24 months and all reports issued by the Company to its stockholders;

(3) he understands that he must bear the economic risk of the investment in the Option Shares, which cannot be sold by his unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(4) in his position with the Company, he has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(5) he is aware that the Company may place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(6) if, at the time of issuance of the Option Shares, the issuance of such shares have not been registered under the 1933 Act, the certificates evidencing the Option Shares may bear the following legend:

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"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

11. RESTRICTION ON TRANSFER OF OPTION SHARES. Anything in this Agreement to the contrary notwithstanding, the Consultant hereby agrees that he shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him without registration under the 1933 Act, or in the event that they are not so registered, unless (i) an exemption from the 1933 Act registration requirements is available thereunder, and (ii) the Consultant has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

12. MISCELLANEOUS.

12.1 NOTICES. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or sent by registered or certified mail, or by private courier, return receipt requested, postage prepaid to the Company at its principal executive office and to the Consultant at his address set forth below, or to such other address as either party shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered or mailed as provided herein.

12.2 CONFLICTS WITH PLAN. This Agreement and the Option shall, in all respects, be subject to the terms and conditions of the Plan, whether or

not stated herein. In the event of a conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall in all respects be controlling.

12.3 SHAREHOLDER RIGHTS. The Consultant shall not have any of the rights of a shareholder with respect to the Option Shares until such shares have been issued after the due exercise of the Option.

12.4 WAIVER. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

12.5 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement may not be amended except by writing executed by the Consultant and the Company.

12.6 BINDING EFFECT; SUCCESSORS. This Agreement shall inure to the benefit of and be binding upon the parties hereto and, to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, expressed or implied, is intended to

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confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

12.7 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to choice of law provisions).

12.8 HEADINGS. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year first above written.

Consultant: LADENBURG THALMANN FINANCIAL SERVICES INC.

/s/ DAVID THALHEIM

David Thalheim

By: /S/ VICTOR M. RIVAS

Victor M. Rivas, President

Address of Consultant:

6 Trusdale Drive
Old Westbury, NY 11568

Address of Company:

1055 Stewart Avenue
Bethpage, New York 11714

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FORM OF NOTICE OF EXERCISE OF OPTION

DATE

Ladenburg Thalmann Financial Services Inc.
1055 Stewart Avenue
Bethpage, NY 11714
Attention: Stock Option Committee of Board of Directors

Re: PURCHASE OF OPTION SHARES

Gentlemen:

In accordance with my Stock Option Agreement dated as of May 7, 2001 ("Agreement") with Ladenburg Thalmann Financial Services Inc. (the "Company"), I hereby irrevocably elect to exercise the right to purchase _____ shares of the Company's common stock ("Common Stock"), which are being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box[es]):

a [personal check] [certified check] [bank check] payable to the order of "Ladenburg Thalmann Financial Services Inc." in the sum of \$_____;

confirmation of wire transfer in the amount of \$_____;
and/or

certificate for ____ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Agreement) of \$_____.

I hereby surrender that portion of the unexercised, but exercisable, portion of the Option having a value equal to the purchase price multiplied by the number of shares of Common Stock being purchased hereunder, to wit: the Option to purchase _____ Option Shares.

through broker payment as provided in Section 7.3.3 (see broker letter attached)

I hereby represent, warrant to, and agree with, the Company that

(i) I am acquiring the Option Shares for my own account and not with a view towards the distribution thereof;

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(ii) I have received a copy of the Plan and all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 24 months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) I understand I am subject to the Company's Insider Trading Policy and have received a copy of such policy as of the date of this Agreement;

(v) I agree that I will not sell, transfer by any means or otherwise dispose of the Option Shares acquired by me hereby except in accordance with Company's policy, if any, regarding the sale and disposition of securities owned by employees and/or directors of the Company;

(vi) in my position with the Company, I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(vii) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein;

(viii) in my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of this Company's 1999 Performance Equity Plan and this Agreement; and

(ix) the certificates evidencing the Option Shares shall bear the following legend:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

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Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

(Signature)

(Address)

(Print Name)

(Address)

(Social Security Number)

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STOCK OPTION AGREEMENT

AGREEMENT made as of the 7th day of May 2001, by and between LADENBURG THALMANN FINANCIAL SERVICES INC., a Florida corporation (the "Company"), and _____ (the "Director").

WHEREAS, on May 7, 2001 (the "Grant Date"), pursuant to the terms and conditions of the Company's 1999 Performance Equity Plan (the "Plan"), the Compensation Committee and the Board of Directors of the Company authorized the grant to the Director of an option (the "Option") to purchase an aggregate of 20,000 shares of the authorized but unissued Common Stock of the Company, \$.0001 par value (the "Common Stock"), conditioned upon the Director's acceptance thereof upon the terms and conditions set forth in this Agreement and subject to the terms of the Plan; and

WHEREAS, the Director desires to acquire the Option on the terms and conditions set forth in this Agreement and subject to the terms of the Plan;

IT IS AGREED:

1. GRANT OF STOCK OPTION. The Company hereby grants the Director the Option to purchase all or any part of an aggregate of 20,000 shares of Common Stock (the "Option Shares") on the terms and conditions set forth herein and subject to the provisions of the Plan.

2. NON-INCENTIVE STOCK OPTION. The Option represented hereby is not intended to be an option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. EXERCISE PRICE. The exercise price of the Option shall be \$3.05 per share, subject to adjustment as hereinafter provided.

4. EXERCISABILITY. This Option is exercisable, subject to the terms and conditions of the Plan, on and after May 7, 2002. After the Option becomes exercisable, it shall remain exercisable except as otherwise provided herein, until the close of business on May 7, 2011 (the "Exercise Period").

5. TERMINATION DUE TO DEATH. Upon the death of the Director, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by the legal representative of the estate or by the legatee of the Director under the will of the Director, for a period of one year from the date of such death or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately terminate upon death.

6. WITHHOLDING TAX. Not later than the date as of which an amount first becomes includable in the gross income of the Director for Federal income tax purposes with respect to the Option, the Director shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. The obligations of the Company under the Plan and pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Director from the Company.

7. ADJUSTMENTS. In the event of any merger, reorganization, consolidation, recapitalization, dividend (other than cash dividend), stock split, reverse stock split, or other change in corporate structure affecting the number of issued shares of Common Stock, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of the Director's proportionate interest in the Company and her rights hereunder, provided that the number of Option Shares shall always be a whole number.

8. METHOD OF EXERCISE.

8.1. NOTICE TO THE COMPANY. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

8.2. DELIVERY OF OPTION SHARES. The Company shall deliver a certificate for the Option Shares to the Director as soon as practicable after payment therefor.

8.3. PAYMENT OF PURCHASE PRICE.

8.3.1. CASH PAYMENT. The Director shall make cash payments by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company; the Company shall not be required to deliver certificates for Option Shares until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

8.3.2. CASHLESS PAYMENT. At the election of the Director, the purchase price for any or all of the Option Shares to be acquired may be paid by the surrender of shares of Common Stock of the Company held by or for the account of the Director with a "fair market value" equal to the purchase price multiplied by the number of Option Shares to be purchased. "Fair market value" of the Common Stock means, as of the exercise date: (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last day trading day preceding such date, as reported by the exchange or Nasdaq, as the case may be; (ii) if the Common Stock is not listed on a national securities

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exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price of the Common Stock on the last trading day preceding such date for which such quotations are reported by the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Company shall determine, in good faith. The Company shall issue a certificate or certificates evidencing the Option Shares as soon as practicable after the notice and payment is received. The certificate or certificates evidencing the Option Shares shall be registered in the name of the person or persons so exercising the Option.

8.3.3. PAYMENT PRICE OF WITHHOLDING TAX. Any required withholding tax may be paid in cash or with Common Stock in accordance with Sections 8.3.1. and 8.3.2.

8.3.4. EXCHANGE ACT COMPLIANCE. Notwithstanding the foregoing, the Company shall have the right to reject

payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934, as amended ("Exchange Act"); (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

9. NONASSIGNABILITY. The Option shall not be assignable or transferable except by will or by the laws of descent and distribution in the event of the death of the Director. No transfer of the Option by the Director by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

10. COMPANY REPRESENTATIONS. The Company hereby represents and warrants to the Director that:

(i) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(ii) the Option Shares, when issued and delivered by the Company to the Director in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

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11. DIRECTOR REPRESENTATIONS. The Director hereby represents and warrants to the Company that

(i) he is acquiring the Option and shall acquire the Option Shares for his own account and not with a view towards the distribution thereof;

(ii) he has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 12 months and all reports issued by the Company to its stockholders;

(iii) he understands that he must bear the economic risk of the investment in the Option Shares, which cannot be sold by him or her unless they are registered under the Securities Act of 1933, as amended (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) in his position with the Company, he has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(v) he is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the

Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(vi) The certificates evidencing the Option Shares shall bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of May 7, 2001, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

12. RESTRICTION ON TRANSFER OF OPTION SHARES. Anything in this Agreement to the contrary notwithstanding, the Director hereby agrees that he or she shall not sell, transfer by any means or otherwise dispose of the Option

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Shares acquired by him or her without registration under the 1933 Act, or in the event that they are not so registered, unless (i) an exemption from the 1933 Act registration requirements is available thereunder, and (ii) the Director has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

13. MISCELLANEOUS.

13.1. NOTICES. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or sent by registered or certified mail, or by private courier, return receipt requested, postage prepaid to the Company at its principal executive office and to the Director at his address set forth below, or to such other address as either party shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered or mailed as provided herein.

13.2. PLAN PARAMOUNT; CONFLICTS WITH PLAN. This Agreement and the Option shall, in all respects, be subject to the terms and conditions of the Plan, whether or not stated herein. In the event of a conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall in all respects be controlling.

13.3. SHAREHOLDER RIGHTS. The Director shall not have any of the rights of a shareholder with respect to the Option Shares until such shares have been issued after the due exercise of the Option.

13.4. WAIVER. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

13.5. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties with respect to the subject matter

hereof. This Agreement may not be amended except by writing executed by the Director and the Company.

13.6. BINDING EFFECT; SUCCESSORS. This Agreement shall inure to the benefit of and be binding upon the parties hereto and, to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

13.7. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to choice of law provisions).

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13.8. HEADINGS. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year first above written.

Director: Ladenburg Thalmann Financial Services Inc.

By:

Victor M. Rivas
President and Chief Executive Officer

Address of Director:

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EXHIBIT A

FORM OF NOTICE OF EXERCISE OF OPTION

DATE

Ladenburg Thalmann Financial Services Inc.

Attention: Board of Directors

Re: PURCHASE OF OPTION SHARES

Gentlemen:

In accordance with my Stock Option Agreement dated as of May 7, 2001 ("Agreement") with Ladenburg Thalmann Financial Services Inc. (the "Company"), I hereby irrevocably elect to exercise the right to purchase _____ shares of the Company's common stock, par value \$.0001 per share ("Common Stock"), which are being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box(es)):

- a [personal check] [certified check] [bank check] payable to the order of "Ladenburg Thalmann Financial Services Inc." in the sum of \$_____;
- confirmation of wire transfer in the amount of \$_____;
and/or
- [IF PRIOR APPROVAL OF THE COMPANY HAS BEEN OBTAINED,] certificate for _____ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Company's 1999 Performance Equity Plan) of \$_____.

I hereby represent, warrant to, and agree with, the Company that

(i) I am acquiring the Option Shares for my own account and not with a view towards the distribution thereof;

(ii) I have received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Securities Exchange Act of 1934, as amended, within the last 12 months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) in my position with the Company, I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(v) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein;

(vi) my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of this Company's 1999 Performance Equity Plan and this Agreement; and

(vii) the certificates evidencing the Option Shares shall bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or

transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of May 7, 2001, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

(Signature)

(Address)

(Print Name)

(Address)

(Social Security Number)

Schedule of Omitted Documents in the Form of Exhibit 10.3, Including Material Detail in Which Such Documents Differ From Exhibit 10.3

1. Stock Option Agreement, dated as of May 7, 2001, between Ladenburg Thalmann Financial Services Inc. and Howard M. Lorber.
2. Stock Option Agreement, dated as of May 7, 2001, between Ladenburg Thalmann Financial Services Inc. and Bennett S. LeBow.
3. Stock Option Agreement, dated as of May 7, 2001, between Ladenburg Thalmann Financial Services Inc. and Phillip Frost, M.D.
4. Stock Option Agreement, dated as of May 7, 2001, between Ladenburg Thalmann Financial Services Inc. and Henry C. Beinstein.
5. Stock Option Agreement, dated as of May 7, 2001, between Ladenburg Thalmann Financial Services Inc. and Robert J. Eide.

The form of the documents listed above does not differ in material detail from the form of exhibit 10.3 except with respect to the identity of the director.