
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) June 13, 2005

LADENBURG THALMANN FINANCIAL SERVICES INC.

(Exact Name of Registrant as Specified in Charter)

Florida

(State or Other Jurisdiction of
Incorporation)

1-15799

(Commission File Number)

65-0701248

(IRS Employer Identification No.)

590 Madison Avenue, 34th Floor, New York, New York

(Address of Principal Executive Offices)

10022

(Zip Code)

Registrant's telephone number, including area code (212) 409-2000

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 3.02 Unregistered Sales of Equity Securities.

Ladenburg Thalmann Financial Services Inc. (“Company”) and/or Ladenburg Thalmann & Company Inc. (“Ladenburg”), the Company’s primary operating subsidiary, entered into employment agreements with Bruce S. Mendelsohn, L. Keith Mullins and Mark D. Coe.

Bruce S. Mendelsohn has agreed to serve as the Company’s Managing Director and Senior Executive Vice President effective July 1, 2005. Under the employment agreement with Mr. Mendelsohn, the Company has granted Mr. Mendelsohn a ten-year option to purchase 2,000,000 shares of the Company’s common stock at \$0.645 per share. The option will vest as to 10% of the options on the date of grant and as to 22.5% of the remaining options on each of the second, third, fourth and fifth anniversaries of the date of grant. Additionally, as part of the employment agreement with Mr. Mendelsohn, Mr. Mendelsohn entered into a Subscription Agreement with the Company to purchase 225,000 shares of the Company’s common stock at \$0.45 per share for an aggregate purchase price of \$101,250. The Company has agreed to register for re-sale the shares of common stock underlying the option and those to be purchased pursuant to the Subscription Agreement. However, Mr. Mendelsohn has agreed that he will not sell, transfer or assign any of the shares he purchases pursuant to the Subscription Agreement until November 15, 2005.

L. Keith Mullins has agreed to serve as Executive Vice President of Ladenburg effective June 1, 2005. Under the employment agreement with Mr. Mullins, the Company has granted Mr. Mullins a ten-year option to purchase 3,000,000 shares of the Company’s common stock at \$0.645 per share. The option will vest in four equal annual instalments commencing on the first anniversary of the date of grant. Additionally, as part of the employment agreement with Mr. Mullins, Mr. Mullins entered into a Subscription Agreement with the Company to purchase 2,222,222 shares of the Company’s common stock at \$0.45 per share for an aggregate purchase price of \$1,000,000. The Company has agreed to register for re-sale the shares of common stock underlying the option and those to be purchased pursuant to the Subscription Agreement. However, Mr. Mullins has agreed that he will not sell, transfer or assign any of the shares he purchases pursuant to the Subscription Agreement until November 15, 2005.

Mark D. Coe has agreed to serve as Managing Director and Chief Investment Officer of Ladenburg effective July 1, 2005. Under the employment agreement with Mr. Coe, the Company (i) has granted Mr. Coe a ten-year option (“Coe Vesting Option”) to purchase 1,500,000 shares of the Company’s common stock at \$0.645 per share and (ii) will afford Mr. Coe the right (“Coe Purchase Right”) to purchase 775,000 shares of the Company’s common stock at \$0.645. The Coe Vesting Option will vest as to 250,000 shares on each of the first, second, third and fourth anniversaries of the date of grant and an additional 125,000 shares on the third anniversary of the date of grant and an additional 375,000 shares on the fourth anniversary of the date of grant; provided, however, that the last 500,000 shares underlying the Coe Vesting Option shall not become exercisable unless and until all shares underlying the Coe Purchase Right have been purchased. The Coe Purchase Right will vest in full upon the date of grant and will be automatically exercised and paid for using net commissions payable to Mr. Coe under the employment agreement and Mr. Coe’s share of net profit under the operating agreement for Coe Capital Management, LLC in excess of \$600,000 annually (as set forth in the employment agreement with Mr. Coe). Additionally, as part of the employment agreement with Mr. Coe, Mr. Coe entered into a Subscription Agreement with the Company to purchase 2,222,222 shares of the Company’s common stock at \$0.45 per share for an aggregate purchase price of \$1,000,000. The Company has agreed to register for re-sale the shares of common stock underlying the Coe Vesting Option as well as the shares to be purchased by Mr. Coe pursuant to the Coe Purchase Right and Subscription Agreement. However, Mr. Coe has agreed that he will not sell, transfer or assign any of the shares he purchases pursuant to the Coe Purchase Right and Subscription Agreement until November 15, 2005.

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The summary of the foregoing transactions are qualified in their entirety by reference to the text of the related agreements, which are attached as exhibits hereto and are incorporated herein by reference.

Item 8.01 Other Events.

The Company also announced that it is contemplating a private placement of its common stock to raise approximately \$10,000,000, with a per-share offering price of \$0.45. Any funds received by the Company from the private placement will be utilized for general corporate purposes. A copy of the press release announcing the contemplated offering is attached as Exhibit 99.2.

Item 9.01 Financial Statements and Exhibits.

(c) Exhibits.

10.1 Stock Option Agreement, dated as of June 1, 2005, between Ladenburg Thalmann Financial Services Inc. and Bruce S. Mendelsohn

10.2 Subscription Agreement between Ladenburg Thalmann Financial Services Inc. and Bruce S. Mendelsohn

10.3 Stock Option Agreement, dated as of June 1, 2005, between Ladenburg Thalmann Financial Services Inc. and L. Keith Mullins

10.4 Subscription Agreement between Ladenburg Thalmann Financial Services Inc. and L. Keith Mullins

10.5 Stock Option Agreement, dated as of June 1, 2005, between Ladenburg Thalmann Financial Services Inc. and Mark D. Coe

10.6 Subscription Agreement between Ladenburg Thalmann Financial Services Inc. and Mark D. Coe

10.7 Stock Purchase Agreement between Ladenburg Thalmann Financial Services Inc. and Mark D. Coe

99.1 Press release dated June 10, 2005

99.2 Press release dated June 10, 2005

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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 hereunto duly authorized.

Date: June 15, 2005

LADENBURG THALMANN FINANCIAL SERVICES
INC.

By: /s/ Salvatore Giardina
Name: Salvatore Giardina
Title: Vice President and Chief Financial Officer

LADENBURG THALMANN FINANCIAL SERVICES INC.
590 Madison Avenue, 34th Floor
New York, NY 10022

As of June 1, 2005

Mr Bruce Mendelsohn
8809 Sleepy Hollow Lane
Potomac, MD 20854

Dear Mr. Mendelsohn:

We are pleased to inform you that Ladenburg Thalmann Financial Services Inc. (the "Company") has granted you a nonqualified option (the "Option") to purchase 2,000,000 shares of the Company's common stock, par value \$.0001 per share (the "Common Stock"), at a purchase price of \$0.645 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"). Capitalized forms used and not otherwise defined herein shall have the meanings ascribed to them in the employment agreement of even date herewith between you and the Company ("Employment Agreement").

1. Subject to the terms hereof, the Option may be exercised on or prior to June 1, 2015 (after which date the Option will, to the extent not previously exercised, expire). The Option shall vest and become exercisable as to 200,000 of the Shares on and after the date hereof and as to 450,000 of the Shares on and after each of June 1, 2006, 2007, 2008 and 2009, provided you are then employed by the Company and/or one of its present or future subsidiaries or affiliates (for purposes of this Agreement, any other entity controlling, controlled by, or under common control with, the Company); provided, however, that the entire Option shall vest earlier and become immediately exercisable in the event that your employment is terminated by reason of your death or Disability, by the Company without Cause or by you for Good Reason (collectively, "Vesting Events").

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 (or such other form approved by the Company), 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 ("Mature Shares") and having a "Fair Market Value" on the date of exercise equal to the purchase price of the Option being exercised, or a combination of such shares and cash. "Fair Market Value," unless otherwise required by any applicable provision of the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto and the regulations

promulgated thereunder, means, as of any given date: (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq Small Cap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the date of grant of an award hereunder, 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 for the Common Stock on the last trading day preceding the date of grant of an award hereunder for which such quotations are reported by the OTC Bulletin Board or 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 Compensation Committee of the Company shall determine, in good faith.

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 8 hereof.

3. In the event your employment with the Company is terminated for any reason, the Option shall forthwith terminate, provided that, if a Vesting Event has occurred, 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 one year after the termination of your employment and the expiration of the Option. 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.

4. The Option is not transferable except by will or the applicable laws of descent and distribution. Notwithstanding the foregoing, with the approval of the Compensation Committee, you may transfer the Option (i) (A) by gift, for no consideration, or (B) pursuant to a domestic relations order, in either case, to or for the benefit of your "Immediate Family" (as defined below), or (ii) to an entity in which you and/or members of your Immediate Family own more than fifty percent of the voting interest, in exchange for an interest in that entity, 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 and subject to such limits as the Compensation Committee may establish and the execution of such documents as the Compensation Committee

may require. In such event, the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. The term "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing your household (other than a tenant or employee), a trust in which these persons have more than fifty percent beneficial interest, and a foundation in which these persons (or you) control the management of the assets.

5. In the event of any change in the shares of Common Stock of the Company as a whole occurring as the result of a stock split, reverse stock split, stock dividend payable on shares of Common Stock, combination or exchange of shares, or other extraordinary or unusual event occurring after the date hereof, the Board of Directors of the Company (the "Board") shall make appropriate adjustments in the terms of the Option to preserve the economic interest of the grant. Any such adjustments will be made by the Board, whose determination will be final, binding and conclusive.

6. 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.

7. 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. If the Board consents, you may pay such taxes using Mature Shares, valued at Fair Market Value.

8. 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.

9. You agree to abide by all of the Company's policies in effect at the time you acquire any Shares and thereafter, including the Company's Insider Trading Policy, with respect to the ownership and trading of the Company's securities.

10. 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 is a valid and binding Agreement of the Company enforceable against the Company in accordance with its terms; (ii) 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 (iii) 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.

11. 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 or other applicable form to register under the Act the resale of the Shares issuable to you upon exercise of the Option.

12. This 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 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 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 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 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 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 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.

- SIGNATURE PAGE FOLLOWS -

Mr. Bruce Mendelsohn
As of June 1, 2005
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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 Agreement in the space provided below.

Very truly yours,

LADENBURG THALMANN FINANCIAL
SERVICES INC.

By: /s/ Salvatore Giardina
Salvatore Giardina
Vice President and Chief Financial Officer

AGREED TO AND ACCEPTED:

/s/ Bruce Mendelsohn
BRUCE MENDELSON

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue, 34th Floor
New York, NY 10022

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 as of March _____, 2005. 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,

Bruce Mendelsohn

SUBSCRIPTION AGREEMENT AND INVESTOR INFORMATION STATEMENT

Ladenburg Thalmann Financial Services Inc. (the “Company”) and Bruce S. Mendelsohn (the “Investor”) hereby agree as follows:

1. **Subscription for Securities.** Investor hereby subscribes for and agrees to purchase 225,000 shares of Common Stock (“Share(s)”) at \$0.45 per share upon the terms and conditions described in this Agreement.

2. **Investor Deliveries.** On the Closing Date (as hereafter defined), the Investor shall wire to the Company the sum of \$101,250, representing full payment for the Shares. Certificates representing the Shares will be delivered to the Investor as soon thereafter as practicable. “Closing Date” shall mean the date mutually agreed to by the Company and Investor promptly after approval by the American Stock Exchange, but not later than three business days after such approval.

3. **Investor Representations and Warranties.** Investor acknowledges, represents and warrants to the Company as follows:

(a) **Information about the Company.** Investor has read the Company’s recent filings under the Securities Exchange Act of 1934 (“Exchange Act”). Investor has been given access to full and complete information regarding the Company and has utilized such access to his satisfaction for the purpose of verifying the information included in those filings. Investor has either met with or been given reasonable opportunity to meet with officers of the Company for the purpose of asking reasonable questions of such officers concerning the terms and conditions of the offering of the Shares and the business and operations of the Company and all such questions have been answered to Investor’s full satisfaction. Investor has been given an opportunity to obtain any additional relevant information to the extent reasonably available to the Company. Investor has received all information and materials regarding the Company that he has reasonably requested.

(b) **Speculative Investment.** Investor is aware that the Shares are a speculative investment that involve a high degree of risk including, but not limited to, the risk of losses from operations of the Company and the total loss of his investment. Investor acknowledges and is aware that there is no assurance as to the future performance of the Company. Investor has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Shares and has obtained, in his judgment, sufficient information from the Company to evaluate the merits and risks of an investment in the Company. Investor has not utilized any person as his purchaser representative (as defined in Regulation D) in connection with evaluating such merits and risks and has relied solely upon his own investigation in making a decision to invest in the Company. Investor believes that the investment in the Shares is suitable for him based upon his investment objectives and financial needs, and Investor has adequate means for providing for his current financial needs and contingencies and has no need for liquidity with respect to his investment in the Company.

(c) **Restrictions on Transfer.** Investor understands that (i) the Shares have not been registered under the Securities Act of 1933 (“Securities Act”) or the securities laws of certain states in reliance on specific exemptions from registration, (ii) no securities administrator of any state or the federal government has recommended or endorsed this offering of Shares or made any finding or determination relating to the fairness of an investment in the Company, and (iii) the Company is relying on his representations and agreements for the purpose of determining whether this transaction meets the requirements of the exemptions afforded by the Securities Act and certain state securities laws. Investor understands and agrees that the Shares cannot be resold, pledged, assigned or otherwise disposed of unless they are subsequently registered under the Securities Act and under applicable securities laws of certain states, or an exemption from such registration is

available. Investor acknowledges that, notwithstanding the Company's commitment described below in Section 4, there can be no assurance that the Company will be able to keep the Registration Statement (defined below) effective until he sells the Shares registered thereon.

(d) No Market for Shares. Investor is purchasing the Shares for his own account for investment and not with a view to, or for sale in connection with, any subsequent distribution of the Shares, nor with any present intention of selling or otherwise disposing of all or any part of the Shares. Investor understands that, although there is a public market for the Shares, there is no assurance that such market will continue.

4. Registration Rights.

(a) (i) 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 or other applicable form to register under the Act the resale of the Shares.

(ii) In connection the foregoing, the Company will, as expeditiously as possible, use its best efforts to: (A) furnish to Investor copies of reasonably complete drafts of all such documents proposed to be filed (including exhibits), and the Investor shall have the opportunity to object to any information pertaining solely to him that is contained therein and the Company will make the corrections reasonably requested by the Investor with respect to such information prior to filing any such Registration Statement or amendment; (B) prepare and file with the SEC such amendments and supplements to such Registration Statement and any prospectus used in connection therewith as may be necessary to maintain the effectiveness of such Registration Statement and to comply with the provisions of the Securities Act with respect to the disposition of all Registrable Securities covered by such Registration Statement; (C) promptly notify Investor: (1) when such Registration Statement or any prospectus used in connection therewith, or any amendment or supplement thereto, has been filed and, with respect to such Registration Statement or any post-effective amendment thereto, when the same has become effective; (2) of any written comments from the SEC with respect to the Registration Statement and of any written request by the SEC for amendments or supplements to such Registration Statement or prospectus; and (3) of the notification to the Company by the SEC of its initiation of any proceeding with respect to the Registration Statement or of the issuance by the SEC of any stop order suspending the effectiveness of such Registration Statement; (D) furnish Investor such number of copies of the prospectus contained in such Registration Statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 promulgated under the Securities Act relating to the Registrable Securities, and such other documents as Investor may reasonably request to facilitate the disposition of his Registrable Securities; (E) notify Investor at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which any prospectus included in such Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at the request of Investor promptly prepare and furnish Investor a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (F) make available for inspection by the Investor and any attorney, accountant or other agent retained by the Investor (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such Registration Statement, and permit the Inspectors to participate in the preparation of such Registration Statement and any prospectus contained therein and any amendment or supplement thereto.

(b) The Company shall bear all fees and expenses attendant to registering the Registrable Securities, but the Investor shall pay any and all sales commissions and the expenses of any legal counsel selected by them to represent them in connection with the sale of the Registrable Securities. The Company shall use its best efforts to cause any registration statement filed pursuant to this section to remain effective until all the Registrable Securities registered thereunder are sold or until the delivery to the Investor of an opinion of counsel to the Company to the effect set forth in Section 4(h).

(c) (i) The Company will indemnify the Investor and each underwriter, if any, and each person who controls any of them within the meaning of the Securities Act or the Exchange Act against all claims, losses, damages and liabilities (or actions or proceedings, commenced or threatened, in respect thereof), joint or several, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any registration, qualification or compliance pursuant to this Section 4 or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or any violation by the Company of the Securities Act or any rule or regulation thereunder applicable to the Company in connection with any such registration, qualification or compliance, and will reimburse the Investor, each such underwriter and each person who controls any such underwriter within the meaning of the Securities Act or the Exchange Act for any legal and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action or proceeding; provided that the Company will not be liable to Investor in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Company by or on behalf of the Investor specifically stating that it is intended for inclusion in any Registration Statement under which Registrable Securities are registered. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of Investor or any underwriter or controlling person, and shall survive the transfer of such securities by Investor.

(ii) Investor shall indemnify the Company, each of its directors and officers and each underwriter, if any, of the Company's securities covered by such registration statement, each person who controls the Company or such underwriter within the meaning of the Securities Act and the Exchange Act and the rules and regulations thereunder, each other securityholder participating in such distribution and each of their officers and directors and each person controlling such other securityholder, against all claims, losses, damages and liabilities (or actions or proceedings, commenced or threatened, in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and such other security holders, directors, officers, persons, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action or proceeding, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such document in reliance upon and in conformity with written information furnished to the Company by or on behalf of Investor specifically stating that it is intended for inclusion in such document; provided, however, that the obligations of Investor hereunder shall be limited to an amount equal to the proceeds received by Investor of securities sold as contemplated herein. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling person, and shall survive the transfer of such securities by Investor.

(iii) Each party desiring indemnification or contribution under this Section 4(c) hereof (the "Securities Indemnified Party") shall give notice to the party required to provide indemnification or contribution (the "Securities Indemnifying Party") promptly after such Securities Indemnified Party has actual knowledge of any claim as to which indemnity or contribution may be sought, and shall permit the Securities Indemnifying Party to assume, at its sole cost and expense, the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Securities Indemnifying Party, who shall conduct the defense of such claim or any litigation

resulting therefrom, shall be approved by the Securities Indemnified Party (whose approval shall not be unreasonably withheld). The Securities Indemnified Party may participate in such defense at the Securities Indemnified Party's expense unless (A) the employment of counsel by the Securities Indemnified Party has been authorized in writing by the Securities Indemnifying Party, (B) the Securities Indemnified Party has been advised by such counsel employed by it that there are legal defenses available to it involving potential conflict with those of the Securities Indemnifying Party (in which case the Securities Indemnifying Party will not have the right to direct the defense of such action on behalf of the Securities Indemnified Party), or (C) the Securities Indemnifying Party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees and expenses of counsel for the Securities Indemnified Party shall be at the expense of the Securities Indemnifying Party. The failure of any Securities Indemnified Party to give notice as provided herein shall not relieve the Securities Indemnifying Party of its obligations under this Section 4. No Securities Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Securities Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Securities Indemnified Party of a release from all liability in respect to such claim or litigation. No Securities Indemnified Party shall settle any claim or demand without the prior written consent of the Securities Indemnifying Party (which consent will not be unreasonably withheld). Each Securities Indemnified Party shall furnish such information regarding itself or the claim in question as the Securities Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with defense of such claim and litigation resulting therefrom.

(iv) The provisions of this Section 4(c) shall be in addition to any other rights to indemnification or contribution which an Indemnified Party may have pursuant to law, equity, contract or otherwise.

(d) In order to provide for just and equitable contribution under the Securities Act in any case in which (A) any person entitled to indemnification under Section (c) makes a claim for indemnification pursuant hereto but such indemnification is not enforced in such case notwithstanding the fact that this section provides for indemnification in such case, or (B) contribution under the Securities Act, the Exchange Act or otherwise is required on the part of any such person in circumstances for which indemnification is provided under this section, then, and in each such case, the Company and the Investor shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement (including legal and other expenses reasonably incurred in connection with investigation or defense) incurred by the Company and the Investor, as incurred, in proportion to their relative fault and the relative knowledge and access to information of the Securities Indemnifying Party, on the one hand, and the Securities Indemnified Party, on the other hand, concerning the matters resulting in such losses, liabilities, claims, damages and expenses, the opportunity to correct and prevent any untrue statement or omission, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission of a material fact relates to information supplied by the Securities Indemnifying Party, on the one hand, or the Securities Indemnified Party, on the other hand, and any other equitable considerations appropriate under the circumstances; provided that no person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this section, each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Company.

(e) The Investor shall furnish to the Company such information regarding himself and the distribution proposed by him as the Company may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Section 4.

(f) The Company shall comply with all of the reporting requirements of the Exchange Act and with all other public information reporting requirements of the Commission, which are conditions to the availability of Rule 144 for the sale of the Shares. The Company shall cooperate with the Investor in supplying such information as may be necessary for such investor to complete and file any information reporting forms presently or hereafter required by the Commission as a condition to the availability of Rule 144.

(g) The Company represents and warrants to the Investor that the granting of the registration rights to the Investor hereby does not and will not violate any agreement between the Company and any other security holders with respect to registration rights granted by the Company.

(h) The rights granted under this Section 4 shall terminate upon delivery to the Investor of an opinion of counsel to the Company reasonably satisfactory to the Investor to the effect that such rights are no longer necessary for the public sale of the Registrable Securities without restriction as to the number of securities that may be sold at any one time or the manner of sale.

(i) The rights granted under this Section 4 shall not be transferable; provided, however, that if Investor transfers any of the Shares to any person entitled to be included on a Form S-8 Registration Statement, such transferees shall be entitled to the benefit of this Section as fully as if they were the Investor.

5. **Lock-up and Insider Trading Policy.** The Investor agrees that he will not sell, assign or transfer any of the Shares until November 15, 2005, except to an Immediate Family Member who shall agree to continue to be bound by this restriction. Investor understands that he will be required to abide by all of the Company's policies in effect, including the Company's Insider Trading Policy, with respect to the ownership and trading of the Company's securities.

6. **Indemnification.** Investor hereby agrees to indemnify and hold harmless the Company, its respective officers, directors, stockholders, employees, agents and attorneys against any and all losses, claims, demands, liabilities, and expenses (including reasonable legal or other expenses incurred by each such person in connection with defending or investigating any such claims or liabilities, whether or not resulting in any liability to such person or whether incurred by the indemnified party in any action or proceeding between the indemnitor and indemnified party or between the indemnified party and any third party) to which any such indemnified party may become subject, insofar as such losses, claims, demands, liabilities and expenses (a) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact made by Investor and contained herein or (b) arise out of or are based upon any breach by Investor of any representation, warranty or agreement made by him contained herein.

7. **Governing Law and Jurisdiction.** This Subscription Agreement will be deemed to have been made and delivered in New York City and will be governed as to validity, interpretation, construction, effect and in all other respects by the internal laws of the State of New York. Each of the Company and the Investor hereby (i) agrees that any legal suit, action or proceeding arising out of or relating to this Subscription Agreement will be instituted exclusively in New York State Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, (ii) waives any objection to the venue of any such suit, action or proceeding and the right to assert that such forum is not a convenient forum for such suit, action or proceeding, (iii) irrevocably consents to the jurisdiction of the New York State Supreme Court, County of New York, and the United States District Court for the Southern District of New York in any such suit, action or proceeding, (iv) agrees to accept and acknowledge service of any and all process that may be served in any such suit, action or proceeding in New York State Supreme Court, County of New York or in the United States District Court for the Southern District of New York and (v) agrees that service of process upon it mailed by certified mail to its address set forth on my signature page will be deemed in every respect effective service of process upon it in any suit, action or proceeding.

8. **Counterparts.** This Subscription Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. The execution of this Subscription Agreement may be by actual or facsimile signature.

9. **Benefit.** Except as otherwise set forth herein, this Subscription Agreement is binding upon and inures to the benefit of the parties hereto and their respective heirs, executors, personal representatives, successors and assigns.

10. **Notices.** All notices, offers, acceptance and any other acts under this Subscription Agreement (except payment) must be in writing, and is sufficiently given if delivered to the addressees in person, by overnight courier service, or, if mailed, postage prepaid, by certified mail (return receipt requested), and will be effective three days after being placed in the mail if mailed, or upon receipt or refusal of receipt, if delivered personally or by courier or confirmed telecopy, in each case addressed to a party. All communications to me should be sent to Investor's residence address on the signature page hereto. All communications to the Company should be sent to:

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue, 34th Floor
New York, New York 10022
Attn: Salvatore Giardina, Chief Financial Officer

11. **Entire Agreement.** This Subscription Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof. In the event any parts of this Subscription Agreement are found to be void, the remaining provisions of this Subscription Agreement are nevertheless binding with the same effect as though the void parts were deleted. This Subscription Agreement may not be changed, waived, discharged, or terminated orally, but rather, only by a statement in writing signed by the party or parties against which enforcement or the change, waiver, discharge or termination is sought.

12. **Section Headings.** Section headings herein have been inserted for reference only and will not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part, any of the terms or provisions of this Subscription Agreement.

13. **Survival of Representations, Warranties and Agreements.** The representations, warranties and agreements contained herein will survive the delivery of, and the payment for, the Shares.

SIGNATURE PAGE FOR **INDIVIDUAL INVESTORS** — COMPLETE ALL INFORMATION

Name: Bruce S. Mendelsohn

Residence Address: _____

Telephone: (H) _____ (W) _____ (Cell) _____

Social Securities
Number: _____

Amount of Investment:

Number of Shares: 225,000

Corresponding dollar amount (\$0.45 multiplied by number of Shares): \$101,250

Accredited Investor Status For Individuals.

(i) I am an accredited investor within the meaning of Section 2(15) of the Securities Act and Rule 501 promulgated thereunder because (check any boxes that apply):

- My individual annual income during each of the two most recent years exceeded \$200,000 and I expect my annual income during the current year will exceed \$200,000.
- If I am married, my joint annual income with my spouse during each of the two most recent years exceeded \$300,000 and I expect my joint annual income with my spouse during the current year will exceed \$300,000.
- My individual or joint (together with my spouse) net worth (including my home, home furnishings and automobiles) exceeds \$1,000,000.

I hereby confirm the information set forth above is true and correct in all respects as of the date hereof and will be on the date of the purchase of Shares.

<p>Signature: <u>/s/ Bruce S. Mendelsohn</u></p> <p>Print Name: Bruce S. Mendelsohn</p> <p>Date: As of June 1, 2005</p>	<p>The foregoing subscription is accepted and the Company hereby agrees to be bound by its terms.</p> <p>LADENBURG THALMANN FINANCIAL SERVICES INC.</p> <p>By: <u>/s/ Salvatore Giardina</u></p> <p>Name: Salvatore Giardina</p> <p>Title: Vice President and Chief Financial Officer</p> <p>Date: As of June 1, 2005</p>
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LADENBURG THALMANN FINANCIAL SERVICES INC.
590 Madison Avenue, 34th Floor
New York, NY 10022

as of June 1, 2005

Mr. Keith Mullins
210 Doolittle Drive
P.O. Box 470
Norfolk, CT 06058

Dear Mr. Mullins:

We are pleased to inform you that Ladenburg Thalmann Financial Services Inc. (the "Company") has granted you a nonqualified option (the "Option") to purchase 3,000,000 shares of the Company's common stock, par value \$.0001 per share (the "Common Stock"), at a purchase price of \$0.645 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"). Capitalized forms used and not otherwise defined herein shall have the meanings ascribed to them in the employment agreement of even date herewith between you and the Company ("Employment Agreement").

1. Subject to the terms hereof, the Option may be exercised on or prior to June 1, 2015 (after which date the Option will, to the extent not previously exercised, expire). The Option shall vest and become exercisable as to (i) 500,000 on and after each of June 1, 2006, 2007, 2008 and 2009; (ii) an additional 250,000 of the shares on and after June 1, 2006, 2007, 2008 and 2009; provided, in each case, you are then employed by the Company and/or one of its present or future subsidiaries or affiliates (for purposes of this Agreement, any other entity controlling, controlled by, or under common control with, the Company); and provided, further, that the Shares referred to in (ii) above shall vest on such dates only if an initial closing of investments in Greenwood Capital Partners has occurred.

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 (or such other form approved by the Company), 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 ("Mature Shares") and having a "Fair Market Value" on the date of exercise equal to the purchase price of the Option being exercised, or a combination of such shares and cash. "Fair Market Value," unless otherwise required by any applicable provision of the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto and the regulations promulgated thereunder, means, as of any given date: (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq Small Cap

Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the date of grant of an award hereunder, 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 for the Common Stock on the last trading day preceding the date of grant of an award hereunder for which such quotations are reported by the OTC Bulletin Board or 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 Compensation Committee of the Company shall determine, in good faith.

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 8 hereof.

3. In the event that your employment is terminated by reason of your death or Disability, all unvested Options that would have vested had you remained employed for the remainder of the then current year (June 1 to May 31) of your Employment Period shall immediately vest and the portion of the Option which has vested shall remain exercisable and effective for a period of one year following termination of employment, but not beyond the term. In the event your employment is terminated for any reason other than death or Disability, the Option shall thereupon terminate; provided, however, that if your employment is terminated by the Company without Cause or by Employee for Good Reason, then the portion of the Option which has vested by the date of termination of employment shall remain exercisable and effective for a period of three months following termination of employment, but not beyond the term. 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.

4. The Option is not transferable except by will or the applicable laws of descent and distribution. Notwithstanding the foregoing, with the approval of the Compensation Committee, you may transfer the Option (i) (A) by gift, for no consideration, or (B) pursuant to a domestic relations order, in either case, to or for the benefit of your "Immediate Family" (as defined below), or (ii) to an entity in which you and/or members of your Immediate Family own more

than fifty percent of the voting interest, in exchange for an interest in that entity, 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 and subject to such limits as the Compensation Committee may establish and the execution of such documents as the Compensation Committee may require. In such event, the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. The term "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing your household (other than a tenant or employee), a trust in which these persons have more than fifty percent beneficial interest, and a foundation in which these persons (or you) control the management of the assets.

5. In the event of any change in the shares of Common Stock of the Company as a whole occurring as the result of a stock split, reverse stock split, stock dividend payable on shares of Common Stock, combination or exchange of shares, or other extraordinary or unusual event occurring after the date hereof, the Board of Directors of the Company (the "Board") shall make appropriate adjustments in the terms of the Option to preserve the economic interest of the grant. Any such adjustments will be made by the Board, whose determination will be final, binding and conclusive.

6. 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.

7. 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. If the Board consents, you may pay such taxes using Mature Shares, valued at Fair Market Value.

8. 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.

9. You agree to abide by all of the Company's policies in effect at the time you acquire any Shares and thereafter, including the Company's Insider Trading Policy, with respect to the ownership and trading of the Company's securities.

10. 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 is a valid and binding Agreement of the Company enforceable against

the Company in accordance with its terms; (ii) 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 (iii) 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.

11. 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 or other applicable form to register under the Act the resale of the Shares issuable to you upon exercise of the Option.

12. This 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 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 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 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 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 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 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. Keith Mullins
as of June 1, 2005
Page 5

Would you kindly evidence your acceptance of the Option and your agreement to comply with the provisions hereof by executing this Agreement in the space provided below.

Very truly yours,

LADENBURG THALMANN FINANCIAL
SERVICES INC.

By: /s/ Salvatore Giardina
Salvatore Giardina
Vice President and Chief Financial Officer

AGREED TO AND ACCEPTED:

/s/ Keith Mullins
KEITH MULLINS

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue, 34th Floor
New York, NY 10022

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 as of May _____, 2005. 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,

Keith Mullins

SUBSCRIPTION AGREEMENT AND INVESTOR INFORMATION STATEMENT

Ladenburg Thalmann Financial Services Inc. (the “Company”) and Keith Mullins (the “Investor”) hereby agree as follows:

1. **Subscription for Securities.** Investor hereby subscribes for and agrees to purchase 2,222,222 shares of Common Stock (“Share(s)”) at \$0.45 per share upon the terms and conditions described in this Agreement.

2. **Investor Deliveries.** On the Closing Date (as hereafter defined), the Investor shall wire to the Company the sum of \$1,000,000, representing full payment for the Shares. Certificates representing the Shares will be delivered to the Investor as soon thereafter as practicable. “Closing Date” shall mean the date mutually agreed to by the Company and Investor promptly after approval by the American Stock Exchange, but not later than three business days after such approval.

3. **Investor Representations and Warranties.** Investor acknowledges, represents and warrants to the Company as follows:

(a) **Information about the Company.** Investor has read the Company’s recent filings under the Securities Exchange Act of 1934 (“Exchange Act”). Investor has been given access to full and complete information regarding the Company and has utilized such access to his satisfaction for the purpose of verifying the information included in those filings. Investor has either met with or been given reasonable opportunity to meet with officers of the Company for the purpose of asking reasonable questions of such officers concerning the terms and conditions of the offering of the Shares and the business and operations of the Company and all such questions have been answered to Investor’s full satisfaction. Investor has been given an opportunity to obtain any additional relevant information to the extent reasonably available to the Company. Investor has received all information and materials regarding the Company that he has reasonably requested.

(b) **Speculative Investment.** Investor is aware that the Shares are a speculative investment that involve a high degree of risk including, but not limited to, the risk of losses from operations of the Company and the total loss of his investment. Investor acknowledges and is aware that there is no assurance as to the future performance of the Company. Investor has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Shares and has obtained, in his judgment, sufficient information from the Company to evaluate the merits and risks of an investment in the Company. Investor has not utilized any person as his purchaser representative (as defined in Regulation D) in connection with evaluating such merits and risks and has relied solely upon his own investigation in making a decision to invest in the Company. Investor believes that the investment in the Shares is suitable for him based upon his investment objectives and financial needs, and Investor has adequate means for providing for his current financial needs and contingencies and has no need for liquidity with respect to his investment in the Company.

(c) **Restrictions on Transfer.** Investor understands that (i) the Shares have not been registered under the Securities Act of 1933 (“Securities Act”) or the securities laws of certain states in reliance on specific exemptions from registration, (ii) no securities administrator of any state or the federal government has recommended or endorsed this offering of Shares or made any finding or determination relating to the fairness of an investment in the Company, and (iii) the Company is relying on his representations and agreements for the purpose of determining whether this transaction meets the requirements of the exemptions afforded by the Securities Act and certain state securities laws. Investor understands and agrees that the Shares cannot be resold, pledged, assigned or otherwise disposed of unless they are subsequently registered under the Securities Act and under applicable securities laws of certain states, or an exemption from such registration is

available. Investor acknowledges that, notwithstanding the Company's commitment described below in Section 4, there can be no assurance that the Company will be able to keep the Registration Statement (defined below) effective until he sells the Shares registered thereon.

(d) **No Market for Shares.** Investor is purchasing the Shares for his own account for investment and not with a view to, or for sale in connection with, any subsequent distribution of the Shares, nor with any present intention of selling or otherwise disposing of all or any part of the Shares. Investor understands that, although there is a public market for the Shares, there is no assurance that such market will continue.

4. **Registration Rights.** 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 or other applicable form to register under the Act the resale of the Shares.

5. **Lock-up and Insider Trading Policy.** The Investor agrees that he will not sell, assign or transfer any of the Shares until November 15, 2005, except to an Immediate Family Member who shall agree to continue to be bound by this restriction. Investor understands that he will be required to abide by all of the Company's policies in effect, including the Company's Insider Trading Policy, with respect to the ownership and trading of the Company's securities.

6. **Indemnification.** Investor hereby agrees to indemnify and hold harmless the Company, its respective officers, directors, stockholders, employees, agents and attorneys against any and all losses, claims, demands, liabilities, and expenses (including reasonable legal or other expenses incurred by each such person in connection with defending or investigating any such claims or liabilities, whether or not resulting in any liability to such person or whether incurred by the indemnified party in any action or proceeding between the indemnitor and indemnified party or between the indemnified party and any third party) to which any such indemnified party may become subject, insofar as such losses, claims, demands, liabilities and expenses (a) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact made by Investor and contained herein or (b) arise out of or are based upon any breach by Investor of any representation, warranty or agreement made by him contained herein.

7. **Governing Law and Jurisdiction.** This Subscription Agreement will be deemed to have been made and delivered in New York City and will be governed as to validity, interpretation, construction, effect and in all other respects by the internal laws of the State of New York. Each of the Company and the Investor hereby (i) agrees that any legal suit, action or proceeding arising out of or relating to this Subscription Agreement will be instituted exclusively in New York State Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, (ii) waives any objection to the venue of any such suit, action or proceeding and the right to assert that such forum is not a convenient forum for such suit, action or proceeding, (iii) irrevocably consents to the jurisdiction of the New York State Supreme Court, County of New York, and the United States District Court for the Southern District of New York in any such suit, action or proceeding, (iv) agrees to accept and acknowledge service of any and all process that may be served in any such suit, action or proceeding in New York State Supreme Court, County of New York or in the United States District Court for the Southern District of New York and (v) agrees that service of process upon it mailed by certified mail to its address set forth on my signature page will be deemed in every respect effective service of process upon it in any suit, action or proceeding.

8. **Counterparts.** This Subscription Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. The execution of this Subscription Agreement may be by actual or facsimile signature.

9. **Benefit.** Except as otherwise set forth herein, this Subscription Agreement is binding upon and inures to the benefit of the parties hereto and their respective heirs, executors, personal representatives, successors and assigns.

10. **Notices.** All notices, offers, acceptance and any other acts under this Subscription Agreement (except payment) must be in writing, and is sufficiently given if delivered to the addressees in person, by overnight courier service, or, if mailed, postage prepaid, by certified mail (return receipt requested), and will be effective three days after being placed in the mail if mailed, or upon receipt or refusal of receipt, if delivered personally or by courier or confirmed telecopy, in each case addressed to a party. All communications to me should be sent to Investor's residence address on the signature page hereto. All communications to the Company should be sent to:

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue, 34th Floor
New York, New York 10022
Attn: Sal Giardina, Chief Financial Officer

11. **Entire Agreement.** This Subscription Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof. In the event any parts of this Subscription Agreement are found to be void, the remaining provisions of this Subscription Agreement are nevertheless binding with the same effect as though the void parts were deleted. This Subscription Agreement may not be changed, waived, discharged, or terminated orally, but rather, only by a statement in writing signed by the party or parties against which enforcement or the change, waiver, discharge or termination is sought.

12. **Section Headings.** Section headings herein have been inserted for reference only and will not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part, any of the terms or provisions of this Subscription Agreement.

13. **Survival of Representations, Warranties and Agreements.** The representations, warranties and agreements contained herein will survive the delivery of, and the payment for, the Shares.

SIGNATURE PAGE FOR **INDIVIDUAL INVESTORS** - COMPLETE ALL INFORMATION

Name: Keith Mullins

Residence Address:

Telephone: (H) (W) (Cell)

Social Securities Number:

Amount of Investment:

Number of Shares: 2,222,222

Corresponding dollar amount (\$0.45 multiplied by number of Shares): \$1,000,000

Accredited Investor Status For Individuals.

(i) I am an accredited investor within the meaning of Section 2(15) of the Securities Act and Rule 501 promulgated thereunder because (check any boxes that apply):

- My individual annual income during each of the two most recent years exceeded \$200,000 and I expect my annual income during the current year will exceed \$200,000.
- If I am married, my joint annual income with my spouse during each of the two most recent years exceeded \$300,000 and I expect my joint annual income with my spouse during the current year will exceed \$300,000.
- My individual or joint (together with my spouse) net worth (including my home, home furnishings and automobiles) exceeds \$1,000,000.

I hereby confirm the information set forth above is true and correct in all respects as of the date hereof and will be on the date of the purchase of Shares.

<p><u>Signature: /s/ Keith Mullins</u></p> <p><u>Print Name: Keith Mullins</u></p> <p><u>Date: As of June 1, 2005</u></p>	<p>The foregoing subscription is accepted and the Company hereby agrees to be bound by its terms.</p> <p>LADENBURG THALMANN FINANCIAL SERVICES INC.</p> <p><u>By: /s/ Sal Giardina</u></p> <p><u>Name: Sal Giardina</u></p> <p><u>Title: Vice President and Chief Financial Officer</u></p> <p><u>Date: As of June 1, 2005</u></p>
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LADENBURG THALMANN FINANCIAL SERVICES INC.
590 Madison Avenue, 34th Floor
New York, NY 10022

as of June 1, 2005

Mr. Mark Coe
100 Tri-State International
Suite 110
Lincolnshire, IL 60069

Dear Mr. Coe:

We are pleased to inform you that Ladenburg Thalmann Financial Services Inc. (the "Company") has granted you a nonqualified option (the "Option") to purchase 1,500,000 shares of the Company's common stock, par value \$.0001 per share (the "Common Stock"), at a purchase price of \$0.645 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"). Capitalized forms used and not otherwise defined herein shall have the meanings ascribed to them in the employment agreement of even date herewith between you and the Company ("Employment Agreement").

1. Subject to the terms hereof, the Option may be exercised on or prior to June 1, 2015 (after which date the Option will, to the extent not previously exercised, expire). The Option shall vest and become exercisable as to (i) 250,000 on and after each of June 1, 2006, 2007, 2008 and 2009; (ii) an additional 125,000 of the shares on and after June 1, 2008; and (iii) an additional 375,000 shares on and after June 1, 2009; provided, in each case, you are then employed by the Company and/or one of its present or future subsidiaries or affiliates (for purposes of this Agreement, any other entity controlling, controlled by, or under common control with, the Company); and provided, further, that the Shares referred to in (ii) and (iii) above shall vest on such dates only if all the shares of Common Stock underlying your Stock Purchase Obligation have been purchased.

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 (or such other form approved by the Company), 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 ("Mature Shares") and having a "Fair Market Value" on the date of exercise equal to the purchase price of the Option being exercised, or a combination of such shares and cash. "Fair Market Value," unless otherwise required by any applicable provision of the Internal Revenue

Code of 1986, as amended from time to time, and any successor thereto and the regulations promulgated thereunder, means, as of any given date: (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq Small Cap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the date of grant of an award hereunder, 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 for the Common Stock on the last trading day preceding the date of grant of an award hereunder for which such quotations are reported by the OTC Bulletin Board or 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 Compensation Committee of the Company shall determine, in good faith.

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 8 hereof.

3. In the event that your employment is terminated by reason of your death or Disability, all unvested Options that would have vested had you remained employed for the remainder of the then current year (July 1 to June 30) of your Employment Period shall immediately vest (*provided, however*, that if your employment is terminated in the first year of the Employment Period by death or Disability, then all unvested Options that would have vested in both the first and second years of your Employment Period shall immediately vest) and the portion of the Option which has vested shall remain exercisable and effective for a period of one year following termination of employment, but not beyond the term. In the event your employment is terminated for any reason other than death or Disability, the Option shall thereupon terminate; provided, however, that if your employment is terminated by the Company without Cause or by Employee for Good Reason, then the portion of the Option which has vested by the date of termination of employment shall remain exercisable and effective for a period of three months following termination of employment, but not beyond the term. 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.

4. The Option is not transferable except by will or the applicable laws of descent and distribution. Notwithstanding the foregoing, with the approval of the Compensation Committee, you may transfer the Option (i) (A) by gift, for no consideration, or (B) pursuant to a domestic relations order, in either case, to or for the benefit of your "Immediate Family" (as defined below), or (ii) to an entity in which you and/or members of your Immediate Family own more than fifty percent of the voting interest, in exchange for an interest in that entity, 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 and subject to such limits as the Compensation Committee may establish and the execution of such documents as the Compensation Committee may require. In such event, the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. The term "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing your household (other than a tenant or employee), a trust in which these persons have more than fifty percent beneficial interest, and a foundation in which these persons (or you) control the management of the assets.

5. In the event of any change in the shares of Common Stock of the Company as a whole occurring as the result of a stock split, reverse stock split, stock dividend payable on shares of Common Stock, combination or exchange of shares, or other extraordinary or unusual event occurring after the date hereof, the Board of Directors of the Company (the "Board") shall make appropriate adjustments in the terms of the Option to preserve the economic interest of the grant. Any such adjustments will be made by the Board, whose determination will be final, binding and conclusive.

6. 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.

7. 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. If the Board consents, you may pay such taxes using Mature Shares, valued at Fair Market Value.

8. 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.

9. You agree to abide by all of the Company's policies in effect at the time you acquire any Shares and thereafter, including the Company's Insider Trading Policy, with respect to the ownership and trading of the Company's securities.

10. 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 is a valid and binding Agreement of the Company enforceable against the Company in accordance with its terms; (ii) 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 (iii) 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.

11. 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 or other applicable form to register under the Act the resale of the Shares issuable to you upon exercise of the Option.

12. This 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 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 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 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 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 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 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. Mark Coe
as of June 1, 2005
Page 5

Would you kindly evidence your acceptance of the Option and your agreement to comply with the provisions hereof by executing this Agreement in the space provided below.

Very truly yours,

LADENBURG THALMANN FINANCIAL
SERVICES INC.

By: /s/ Salvatore Giardina
Salvatore Giardina
Vice President and Chief Financial Officer

AGREED TO AND ACCEPTED:

/s/ Mark Coe

MARK COE

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue, 34th Floor
New York, NY 10022

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 as of May ____, 2005. 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,

Mark Coe

SUBSCRIPTION AGREEMENT AND INVESTOR INFORMATION STATEMENT

Ladenburg Thalmann Financial Services Inc. (the “Company”) and Mark Coe (the “Investor”) hereby agree as follows:

1. **Subscription for Securities.** Investor hereby subscribes for and agrees to purchase 2,222,222 shares of Common Stock (“Share(s)”) at \$0.45 per share upon the terms and conditions described in this Agreement.

2. **Investor Deliveries.** On the Closing Date (as hereafter defined), the Investor shall wire to the Company the sum of \$1,000,000, representing full payment for the Shares. Certificates representing the Shares will be delivered to the Investor as soon thereafter as practicable. “Closing Date” shall mean the date mutually agreed to by the Company and Investor promptly after approval by the American Stock Exchange, but not later than three business days after such approval.

3. **Investor Representations and Warranties.** Investor acknowledges, represents and warrants to the Company as follows:

(a) **Information about the Company.** Investor has read the Company’s recent filings under the Securities Exchange Act of 1934 (“Exchange Act”). Investor has been given access to full and complete information regarding the Company and has utilized such access to his satisfaction for the purpose of verifying the information included in those filings. Investor has either met with or been given reasonable opportunity to meet with officers of the Company for the purpose of asking reasonable questions of such officers concerning the terms and conditions of the offering of the Shares and the business and operations of the Company and all such questions have been answered to Investor’s full satisfaction. Investor has been given an opportunity to obtain any additional relevant information to the extent reasonably available to the Company. Investor has received all information and materials regarding the Company that he has reasonably requested.

(b) **Speculative Investment.** Investor is aware that the Shares are a speculative investment that involve a high degree of risk including, but not limited to, the risk of losses from operations of the Company and the total loss of his investment. Investor acknowledges and is aware that there is no assurance as to the future performance of the Company. Investor has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Shares and has obtained, in his judgment, sufficient information from the Company to evaluate the merits and risks of an investment in the Company. Investor has not utilized any person as his purchaser representative (as defined in Regulation D) in connection with evaluating such merits and risks and has relied solely upon his own investigation in making a decision to invest in the Company. Investor believes that the investment in the Shares is suitable for him based upon his investment objectives and financial needs, and Investor has adequate means for providing for his current financial needs and contingencies and has no need for liquidity with respect to his investment in the Company.

(c) **Restrictions on Transfer.** Investor understands that (i) the Shares have not been registered under the Securities Act of 1933 (“Securities Act”) or the securities laws of certain states in reliance on specific exemptions from registration, (ii) no securities administrator of any state or the federal government has recommended or endorsed this offering of Shares or made any finding or determination relating to the fairness of an investment in the Company, and (iii) the Company is relying on his representations and agreements for the purpose of determining whether this transaction meets the requirements of the exemptions afforded by the Securities Act and certain state securities laws. Investor understands and agrees that the Shares cannot be resold, pledged, assigned or otherwise disposed of unless they are subsequently registered under the Securities Act and under applicable securities laws of certain states, or an exemption from such registration is

available. Investor acknowledges that, notwithstanding the Company's commitment described below in Section 4, there can be no assurance that the Company will be able to keep the Registration Statement (defined below) effective until he sells the Shares registered thereon.

(d) **No Market for Shares.** Investor is purchasing the Shares for his own account for investment and not with a view to, or for sale in connection with, any subsequent distribution of the Shares, nor with any present intention of selling or otherwise disposing of all or any part of the Shares. Investor understands that, although there is a public market for the Shares, there is no assurance that such market will continue.

4. **Registration Rights.** 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 or other applicable form to register under the Act the resale of the Shares.

5. **Lock-up and Insider Trading Policy.** The Investor agrees that he will not sell, assign or transfer any of the Shares until November 15, 2005, except to an Immediate Family Member who shall agree to continue to be bound by this restriction. Investor understands that he will be required to abide by all of the Company's policies in effect, including the Company's Insider Trading Policy, with respect to the ownership and trading of the Company's securities.

6. **Indemnification.** Investor hereby agrees to indemnify and hold harmless the Company, its respective officers, directors, stockholders, employees, agents and attorneys against any and all losses, claims, demands, liabilities, and expenses (including reasonable legal or other expenses incurred by each such person in connection with defending or investigating any such claims or liabilities, whether or not resulting in any liability to such person or whether incurred by the indemnified party in any action or proceeding between the indemnitor and indemnified party or between the indemnified party and any third party) to which any such indemnified party may become subject, insofar as such losses, claims, demands, liabilities and expenses (a) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact made by Investor and contained herein or (b) arise out of or are based upon any breach by Investor of any representation, warranty or agreement made by him contained herein.

7. **Governing Law and Jurisdiction.** This Subscription Agreement will be deemed to have been made and delivered in New York City and will be governed as to validity, interpretation, construction, effect and in all other respects by the internal laws of the State of New York. Each of the Company and the Investor hereby (i) agrees that any legal suit, action or proceeding arising out of or relating to this Subscription Agreement will be instituted exclusively in New York State Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, (ii) waives any objection to the venue of any such suit, action or proceeding and the right to assert that such forum is not a convenient forum for such suit, action or proceeding, (iii) irrevocably consents to the jurisdiction of the New York State Supreme Court, County of New York, and the United States District Court for the Southern District of New York in any such suit, action or proceeding, (iv) agrees to accept and acknowledge service of any and all process that may be served in any such suit, action or proceeding in New York State Supreme Court, County of New York or in the United States District Court for the Southern District of New York and (v) agrees that service of process upon it mailed by certified mail to its address set forth on my signature page will be deemed in every respect effective service of process upon it in any suit, action or proceeding.

8. **Counterparts.** This Subscription Agreement may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same instrument. The execution of this Subscription Agreement may be by actual or facsimile signature.

9. **Benefit.** Except as otherwise set forth herein, this Subscription Agreement is binding upon and inures to the benefit of the parties hereto and their respective heirs, executors, personal representatives, successors and assigns.

10. **Notices.** All notices, offers, acceptance and any other acts under this Subscription Agreement (except payment) must be in writing, and is sufficiently given if delivered to the addressees in person, by overnight courier service, or, if mailed, postage prepaid, by certified mail (return receipt requested), and will be effective three days after being placed in the mail if mailed, or upon receipt or refusal of receipt, if delivered personally or by courier or confirmed telecopy, in each case addressed to a party. All communications to me should be sent to Investor's residence address on the signature page hereto. All communications to the Company should be sent to:

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue, 34th Floor
New York, New York 10022
Attn: Sal Giardina, Chief Financial Officer

11. **Entire Agreement.** This Subscription Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof. In the event any parts of this Subscription Agreement are found to be void, the remaining provisions of this Subscription Agreement are nevertheless binding with the same effect as though the void parts were deleted. This Subscription Agreement may not be changed, waived, discharged, or terminated orally, but rather, only by a statement in writing signed by the party or parties against which enforcement or the change, waiver, discharge or termination is sought.

12. **Section Headings.** Section headings herein have been inserted for reference only and will not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part, any of the terms or provisions of this Subscription Agreement.

13. **Survival of Representations, Warranties and Agreements.** The representations, warranties and agreements contained herein will survive the delivery of, and the payment for, the Shares.

SIGNATURE PAGE FOR **INDIVIDUAL INVESTORS** - COMPLETE ALL INFORMATION

Name: Mark Coe

Residence Address: _____

Telephone: (H) _____ (W) _____ (Cell) _____

Social Securities Number: _____

Amount of Investment:

Number of Shares: 2,222,222

Corresponding dollar amount (\$0.45 multiplied by number of Shares): \$1,000,000

Accredited Investor Status For Individuals.

(i) I am an accredited investor within the meaning of Section 2(15) of the Securities Act and Rule 501 promulgated thereunder because (check any boxes that apply):

- My individual annual income during each of the two most recent years exceeded \$200,000 and I expect my annual income during the current year will exceed \$200,000.
- If I am married, my joint annual income with my spouse during each of the two most recent years exceeded \$300,000 and I expect my joint annual income with my spouse during the current year will exceed \$300,000.
- My individual or joint (together with my spouse) net worth (including my home, home furnishings and automobiles) exceeds \$1,000,000.

I hereby confirm the information set forth above is true and correct in all respects as of the date hereof and will be on the date of the purchase of Shares.

<p>Signature: <u>/s/ Mark Coe</u></p> <p>Print Name: Mark Coe</p> <p>Date: As of June 1, 2005</p>	<p>The foregoing subscription is accepted and the Company hereby agrees to be bound by its terms.</p> <p>LADENBURG THALMANN FINANCIAL SERVICES INC.</p> <p>By: <u>/s/ Salvatore Giardina</u></p> <p>Name: Salvatore Giardina</p> <p>Title: Vice President and Chief Financial Officer</p> <p>Date: As of June 1, 2005</p>
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LADENBURG THALMANN FINANCIAL SERVICES INC.
590 Madison Avenue, 34th Floor
New York, NY 10022

As of June 1, 2005

Mr. Mark Coe
100 Tri-State International
Suite 110
Lincolnshire, IL 60069

Dear Mr. Coe:

We are pleased to inform you that, pending approval from the American Stock Exchange, Ladenburg Thalmann Financial Services Inc. (the "Company") has granted you the right to purchase, and you have agreed to purchase ("Stock Purchase Obligation"), 775,000 shares of the Company's common stock, par value \$.0001 per share (the "Common Stock"), at a purchase price of \$.645 per share (the shares of Common Stock to be purchased are referred to hereinafter as the "Shares"). Capitalized forms used and not otherwise defined herein shall have the meanings ascribed to them in the employment agreement of even date herewith between you and the Company ("Employment Agreement").

1. Subject to the terms hereof, you shall purchase the Shares from time to time on or prior to June 1, 2015 (after which the Stock Purchase Obligation will, to the extent not previously consummated, expire).

2. All Shares must be purchased for cash. While you are an employee of the Company, the Stock Purchase Obligation shall be consummated and you shall purchase Shares only through the use of net commissions (withheld from Employee's net payroll after withholding and applied quarterly to the purchase price for the shares, all in accordance with the Stock Purchase Agreement) and Employee's share of net profit under the operating agreement for Coe Capital Management, LLC in excess of \$600,000 payable to Employee per calendar year (pro-rated for 2005) from and after the Commencement Date. The Company shall withhold such payments from your net payroll after withholding and apply them quarterly to the purchase price for the Shares. Certificates evidencing the Shares shall be issued promptly thereafter. You acknowledge and understand that the Stock Purchase Obligation is not an option and that you are contractually committed to purchase Shares using your commissions in accordance with the terms hereof.

3. In the event that your employment is terminated by reason of your death or Disability, the Stock Purchase Obligation shall remain effective for a period of one year

following termination of employment, but not later than June 1, 2015. In the event your employment is terminated for any reason other than death or Disability, the Stock Purchase Obligation shall thereupon terminate; *provided, however*, that if your employment is terminated by the Company without Cause or by you for Good Reason, then the Stock Purchase Obligation shall remain effective for a period of three months following termination of employment, but not later than June 1, 2015. In the event of your death or Disability, the Stock Purchase Obligation may be consummated and Shares may be purchased by your personal representative or representatives, or by the person or persons to whom your rights under the Stock Purchase Obligation shall pass by will or by the applicable laws of descent and distribution.

4. The Stock Purchase Obligation is not transferable except by will or the applicable laws of descent and distribution. Notwithstanding the foregoing, with the approval of the Compensation Committee, you may transfer the Stock Purchase Obligation (i) (A) by gift, for no consideration, or (B) pursuant to a domestic relations order, in either case, to or for the benefit of your "Immediate Family" (as defined below), or (ii) to an entity in which you and/or members of your Immediate Family own more than fifty percent of the voting interest, in exchange for an interest in that entity, 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 and subject to such limits as the Compensation Committee may establish and the execution of such documents as the Compensation Committee may require. In such event, the transferee shall remain subject to all the terms and conditions applicable to the Stock Purchase Obligation prior to such transfer. The term "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing your household (other than a tenant or employee), a trust in which these persons have more than fifty percent beneficial interest, and a foundation in which these persons (or you) control the management of the assets.

5. In the event of any change in the shares of Common Stock of the Company as a whole occurring as the result of a stock split, reverse stock split, stock dividend payable on shares of Common Stock, combination or exchange of shares, or other extraordinary or unusual event occurring after the date hereof, the Board of Directors of the Company (the "Board") shall make appropriate adjustments in the terms of the Stock Purchase Obligation to preserve the economic interest of the grant. Any such adjustments will be made by the Board, whose determination will be final, binding and conclusive.

6. The Stock Purchase Obligation 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.

7. The Company shall require as a condition to the purchase of any Shares 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 purchase.

8. Unless at the time of the purchase of any Shares 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 the purchase of any Shares, you agree to execute and deliver to the Company a reasonable certificate to such effect.

9. You agree to abide by all of the Company's policies in effect at the time you acquire any Shares and thereafter, including the Company's Insider Trading Policy, with respect to the ownership and trading of the Company's securities.

10. The Company represents and warrants to you as follows: (i) this Agreement and the Stock Purchase Obligation hereunder have been authorized by all necessary corporate action by the Company and this letter is a valid and binding Agreement of the Company enforceable against the Company in accordance with its terms; (ii) the Company will obtain, at its expense, any regulatory approvals necessary or advisable in connection with the Stock Purchase Obligation or the issuance of the Shares; and (iii) the Company currently has reserved and available, and will continue to have reserved and available during the term of the Stock Purchase Obligation, sufficient authorized and issued shares of its Common Stock for issuance upon purchase by you hereunder.

11. 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 or other applicable form to register under the Act the resale of the Shares purchasable by you.

12. This 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 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 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 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 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 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 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.

Would you kindly evidence your acceptance of the Option and your agreement to comply with the provisions hereof by executing this Agreement in the space provided below.

Very truly yours,

LADENBURG THALMANN FINANCIAL
SERVICES INC.

By: /s/ Salvatore Giardina
Salvatore Giardina
Vice President and Chief Financial Officer

AGREED TO AND ACCEPTED:

/s/ Mark Coe
MARK COE



NEWS

FOR IMMEDIATE RELEASE

Contact: Paul Caminiti/Carrie Bloom
Citigate Sard Verbinnen
212/687-8080

**LADENBURG THALMANN STRENGTHENS MANAGEMENT TEAM WITH
APPOINTMENT OF SENIOR EXECUTIVES**

Experienced Securities Industry Executives Bruce Mendelsohn, Keith Mullins,
Mark Coe and Michael Kramer To Help Lead Company's Growth

NEW YORK, June 10, 2005 – Ladenburg Thalmann Financial Services Inc. (AMEX:LTS), a provider of retail and institutional securities brokerage, investment banking and asset management services, announced today the appointments of four experienced securities industry executives to senior corporate positions to help direct the Company's continuing transformation initiatives. Bruce S. Mendelsohn, formerly head of the Corporate Finance and Securities Group at Akin Gump Strauss Hauer & Feld, was named Senior Executive Vice President. L. Keith Mullins, formerly head of the European Investment Bank Technology Group at Shroeder Solomon Smith Barney; Mark D. Coe, founder and President of Coe Capital Management; and, Michael J. Kramer, a senior portfolio manager and business entrepreneur, were named as Managing Directors.

Mark Klein, recently appointed Chief Executive Officer of Ladenburg, said, "As we continue to re-establish Ladenburg Thalmann as a preeminent investment firm, we are very excited to have a team of proven and successful executives such as Bruce, Keith, Mark and Michael join our Company as both senior management and significant shareholders. Additionally, we are fortunate to have Mark and Michael's asset management teams joining as well. They will be instrumental in our ongoing efforts to build a world-class firm."

Bruce S. Mendelsohn has been named Senior Executive Vice President of Ladenburg Thalmann Financial Services, effective July 1, 2005. Prior to joining Ladenburg Thalmann, Mr. Mendelsohn served as the head of the Corporate Finance and Securities Group, as well as a member of the firm management committee at Akin Gump Strauss Hauer & Feld LLP. In his 22 years with Akin Gump, Mr. Mendelsohn had extensive experience in public and private offerings of both debt and equity securities, mergers and acquisitions, and represented corporations and individuals in inquiries and investigations with regulatory bodies and exchanges. Prior to joining Akin Gump in 1983, Mr. Mendelsohn spent six years with the Securities and Exchange Commission. He held various positions with the Commission, including Counsel to a Commissioner and Chief of the Office of Regulatory Policy in the Division of Investment Management.

L. Keith Mullins has been named Managing Director and Executive Vice President of Ladenburg Thalmann & Co., effective June 1, 2005. Mr. Mullins, with over 20 years of experience in the investment business prior to joining Ladenburg Thalmann, headed the European Investment Bank Technology Group at Shroeder Solomon Smith Barney. Prior to joining the investment bank, Mr. Mullins directed the Emerging Growth Stock Group at Salomon Smith Barney in New York. Prior to Salomon Smith Barney, Mr. Mullins held a similar position at Morgan Stanley & Co., Inc. He was voted to the *Institutional Investor* All-America Research Team from 1988-2000 first or second team. Mr. Mullins is also the founder of Greenwoods Capital, a fund which focuses on investing in and advising small- and mid-cap companies.

Mark D. Coe has been named Managing Director and Chief Investment Officer of Ladenburg Thalmann & Co., effective July 1, 2005. Mr. Coe will continue to head investment research and advisory services as President of Coe Capital Management, LLC, an investment advisory firm, which he founded in 1999. Prior to forming Coe Capital, Mr. Coe spent six years as Senior Portfolio Manager at Paine Webber and seven years as Portfolio Manager at Gofen and Glossberg, Inc. Mr. Coe holds his Master of Management degree from J.L. Kellogg Graduate School of Business as well as a Bachelor of Science in Accountancy from the University of Illinois where he graduated "Bronze Tablet," the highest honor afforded its graduates. Mr. Coe holds Chartered Financial Analyst, Charter Investment Counselor and Certified Public Accountant designations.

Michael J. Kramer has been named Managing Director of the Asset Management Department of Ladenburg Thalmann & Co. Inc., effective June 1, 2005. Dr. Kramer has been employed at NBGI Securities Inc., an affiliate of the National Bank of Greece, a leading financial institution in Greece, since 2003. Prior to joining NBGI, Dr. Kramer was the portfolio manager for Stonewall Capital LLC. Prior to entering into the investment business, Dr. Kramer was the founder and CEO of Gotham Practice Management, a physician management company. Gotham, which became the most profitable segment of its parent Health Partners, was sold in 1997. Prior to the formation of Gotham, Dr. Kramer was a practicing Cardiologist in Manhattan, serving on the faculty of Mt. Sinai School of Medicine.

In connection with their employment, each have agreed to purchase shares of the Company's common stock: Mr. Mendelsohn will purchase 225,000 shares at \$0.45 per share (an aggregate purchase price of \$101,250); Mr. Mullins will purchase 2,222,222 shares at \$0.45 per share (an aggregate purchase price of \$1,000,000); Mr. Coe will purchase 2,222,222 shares of the Company's common stock at \$0.45 per share (an aggregate purchase price of \$1,000,000) and has committed to purchase an additional 775,000 shares of the Company's common stock at \$0.645 per share, solely through the use of compensation to be earned by him; and Dr. Kramer will purchase 450,000 shares at \$0.45 per share (an aggregate purchase price of \$202,500).

Additionally, the Company granted options to these individuals to purchase an aggregate of 7,200,000 shares of the Company's common stock at \$0.645 per share. The options, which expire ten years from the date of grant, generally vest in four equal annual installments commencing on the first anniversary of the date of grant.

About Ladenburg Thalmann

Ladenburg Thalmann Financial Services is engaged in retail and institutional securities brokerage, investment banking and asset management services through its principal operating subsidiary, Ladenburg Thalmann & Co. Inc. Founded in 1876 and a New York Stock Exchange member since 1879, Ladenburg Thalmann & Co. is a full service investment banking and brokerage firm based in New York City, with regional offices in Boca Raton, Florida; Los Angeles, California; Palo Alto, California; and Melville, New York. Ladenburg provides various services including corporate finance, asset management, brokerage, trading and research, principally for middle market and emerging growth companies and high net worth individuals.

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LADENBURG THALMANN ANNOUNCES PRIVATE EQUITY OFFERING

NEW YORK, NEW YORK, June 10, 2005 – Ladenburg Thalmann Financial Services Inc. (AMEX:LTS), a provider of retail and institutional securities brokerage, investment banking and asset management service, announced today that it is contemplating a private placement of its common stock totaling approximately \$10,000,000, with a per-share offering price of \$0.45. Any funds received by the Company from the private placement will be utilized for general corporate purposes. At the time of the offering, these securities will not be registered under the Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. This press release does not constitute an offer of any securities to be sold in the proposed private placement.

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