



**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, DC 20549**

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**AMENDMENT NO. 1**  
**TO**  
**FORM S-3**  
**REGISTRATION STATEMENT**  
**UNDER THE SECURITIES ACT OF 1933**

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**LADENBURG THALMANN FINANCIAL SERVICES INC.**

(Exact Name of Registrant as Specified in Its Charter)

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Florida

(State or Other Jurisdiction of Incorporation or  
Organization)

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65-0701248

(I.R.S. Employer Identification Number)

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590 Madison Avenue, 34<sup>th</sup> Floor  
New York, NY 10022  
(212) 409-2000

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(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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**Mark D. Klein**, President and Chief Executive Officer  
Ladenburg Thalmann Financial Services Inc.  
590 Madison Avenue, 34<sup>th</sup> Floor  
New York, NY 10022  
(212) 409-2000

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(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

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Copies to:

**David Alan Miller, Esq.**  
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405 Lexington Avenue  
New York, New York 10174  
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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this registration statement.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please

check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

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**The registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this prospectus is not complete and may be changed. None of the selling shareholders may sell these securities under this prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**Preliminary Prospectus  
Subject to Completion, January 27, 2006**

**LADENBURG THALMANN FINANCIAL SERVICES INC.**

13,824,331 shares of common stock

This prospectus relates to 13,824,331 shares of our common stock that may be offered for resale for the account of the selling shareholders set forth in this prospectus under the heading "Selling Shareholders" beginning on page 13. The selling shareholders may sell these shares in a variety of transactions as described under the heading "Plan of Distribution" beginning on page 16.

Our common stock is traded on the American Stock Exchange under the symbol "LTS." On January 24, 2006, the last reported sale price of our common stock was \$0.49.

We will not receive any proceeds from the sale of the shares covered by this prospectus. However, we have already received approximately \$6,220,950 as payment for the 13,824,331 shares which were issued to the selling shareholders and are being registered for resale under this prospectus.

**Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 4 for a discussion of information that should be considered in connection with an investment in our common stock.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is \_\_\_\_\_, 2006

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You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. The selling shareholders are offering to sell, and seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

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## PROSPECTUS SUMMARY

We are engaged in retail and institutional securities brokerage, investment banking services and investment activities through our principal operating subsidiary, Ladenburg Thalmann & Co. Inc. We are committed to establishing a significant presence in the financial services industry by meeting the varying investment needs of our corporate, institutional and retail clients.

Ladenburg Thalmann & Co. is a full service investment banking and brokerage firm that has been a member of the New York Stock Exchange since 1879. It provides its services principally for middle market and emerging growth companies and high net worth individuals through a coordinated effort among corporate finance, capital markets, investment management, brokerage and trading professionals. Ladenburg is subject to regulation by, among others, the Securities and Exchange Commission, the NYSE and the National Association of Securities Dealers, Inc. and is a member of the Securities Investor Protection Corporation. Its private client services and institutional sales departments serve approximately 70,000 accounts nationwide and its asset management area provides investment management and financial planning services to numerous individuals and institutions.

### Private Placement

In November 2005, we completed a private placement of 22,222,222 shares of our common stock at \$0.45 per share raising total gross proceeds of \$10,000,000. Of this amount, 13,824,331 shares of our common stock (for aggregate gross proceeds of \$6,220,950) were sold to investors unrelated to us and we received binding subscriptions for 8,397,891 shares of our common stock (for aggregate gross proceeds of approximately \$3,779,050) from certain affiliates of ours and persons with direct or indirect relationships to us, the issuance of which is subject to shareholder approval. We agreed to register for re-sale the shares of common stock received or to be by the investors in the private placement. Accordingly, we are registering for resale under this prospectus the shares of common stock on behalf of the investors unrelated to us. We are registering for resale under a separate prospectus the shares of common stock on behalf of the investors related to us.

### Corporate History

We were incorporated under the laws of the State of Florida in February 1996. Ladenburg Thalmann & Co. was incorporated under the laws of the State of Delaware in December 1971 and became our wholly owned subsidiary in May 2001. Our principal executive offices, as well as those of Ladenburg Thalmann & Co., are located at 590 Madison Avenue, New York, New York 10022 and both of our telephone numbers are (212) 409-2000. Ladenburg Thalmann & Co. has currently branch offices located in Los Angeles, California, Palo Alto, California, Boca Raton, Florida, Lincolnshire, Illinois and Melville, New York. Ladenburg Thalmann & Co. maintains a website located at [www.ladenburg.com](http://www.ladenburg.com).

## RISK FACTORS

You should carefully consider all of the material risks described below before you decide to invest in our company. Our business, financial condition or results of operation could be materially adversely affected by any of these risks. The trading price of our common stock could decline because of any one of these risks, and you may lose all or part of your investment.

### **We have incurred, and may continue to incur, significant operating losses.**

We incurred significant losses from operations during each of the past four calendar years. We cannot assure you that we will be able to achieve or sustain revenue growth, profitability or positive cash flow on either a quarterly or annual basis or that profitability, if achieved, will be sustained. Although we believe that we have adequate cash and regulatory capital to fund our current level of operating activities through September 30, 2006, if we are unable to achieve or sustain profitability, we may not be financially viable in the future and may have to curtail, suspend or cease operations.

### **If we are unable to repay our outstanding indebtedness obligations when due, our operations may be materially adversely affected.**

Currently, we have an aggregate of approximately \$5.6 million of indebtedness, of which \$5.0 million is due on December 31, 2006 and approximately \$660,000 from our clearing broker is scheduled to be forgiven in November 2006. However, if the clearing agreement is terminated for any reason prior to the loan maturity date, the loan, less any amount that has been forgiven through the date of the termination, plus interest, must be repaid on demand. We cannot assure you that our operations will generate funds sufficient to repay these or other future debt obligations as they come due. Our failure to repay our indebtedness and make interest payments as required by our debt obligations could have a material adverse affect on our operations.

### **We are currently subject to extensive securities regulation and the failure to comply with these regulations could subject us to penalties or sanctions.**

The securities industry and our business is subject to extensive regulation by the SEC, state securities regulators and other governmental regulatory authorities. We are also regulated by industry self-regulatory organizations, including the NYSE, the NASD and the Municipal Securities Rulemaking Board. The regulatory environment is also subject to change and we may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other federal or state governmental regulatory authorities, or self-regulatory organizations. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

Ladenburg Thalmann & Co. is a registered broker-dealer with the SEC and a member firm of the NYSE. Broker-dealers are subject to regulations which cover all aspects of the securities business, including:

- sales methods and supervision;
- trading practices among broker-dealers;

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- use and safekeeping of customers' funds and securities;
- capital structure of securities firms;
- record keeping; and
- the conduct of directors, officers and employees.

Compliance with many of the regulations applicable to us involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretation. The requirements imposed by these regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us. Consequently, these regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements. Much of the regulation of broker-dealers has been delegated to self-regulatory organizations, principally the NASD Regulation, Inc., the regulatory arm of the NASD, and the NYSE, which are our primary regulatory agencies. NASD Regulation and the NYSE adopt rules, subject to approval by the SEC, that govern its members and conducts periodic examinations of member firms' operations.

If we are found to have violated any applicable regulation, formal administrative or judicial proceedings may be initiated against us that may result in:

- censure;
- fine;
- civil penalties, including treble damages in the case of insider trading violations;
- the issuance of cease-and-desist orders;
- the deregistration or suspension of our broker-dealer activities;
- the suspension or disqualification of our officers or employees; or
- other adverse consequences.

The imposition of any of these or other penalties could have a material adverse effect on our operating results and financial condition.

### **We may incur significant losses from trading and investment activities due to market fluctuations and volatility.**

We generally maintain trading and investment positions in the equity markets. To the extent that we own assets, i.e., have long positions, in those markets, a downturn in those markets could result in losses from a decline in the value of those long positions. Conversely, to the extent that we have sold assets that we do not own, i.e., have short positions, in any of those markets, an upturn in those markets could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market.

We may from time to time have a trading strategy consisting of holding a long position in one security and a short position in another security from which we expect to earn revenues based on changes



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in the relative value of the two securities. If, however, the relative value of the two securities changes in a direction or manner that we did not anticipate or against which we are not hedged, we might realize a loss in those paired positions. In addition, we maintain trading positions that can be adversely affected by the level of volatility in the financial markets, i.e., the degree to which trading prices fluctuate over a particular period, in a particular market, regardless of market levels.

### **We may need to raise additional funds in the near future.**

Our capital requirements continue to be adversely affected by our inability to generate cash from operations. We have been forced to rely on borrowings and proceeds from the sale of our common stock in order to generate working capital for our operations. Accordingly, we may need to seek to raise additional capital through other available sources, including through equity offerings or borrowing additional funds on a short-term basis from third parties, including our current debtholders, shareholders and clearing broker. As of September 30, 2005, we had cash and cash equivalents of approximately \$5,776,000. Accordingly, if we continue to be unable to generate cash from operations and are unable to find sources of funding, it would have an adverse impact on our liquidity and operations.

### **Our expenses may increase due to unresolved real estate commitments.**

Ladenburg Capital Management Inc., one of our former operating subsidiaries, may have potential liability under a terminated lease for office space in New York City which it was forced to vacate during 2001 due to the events of September 11, 2001. Ladenburg Capital Management no longer occupies the space and believes it has no further lease obligation pursuant to the terms of the lease. This lease, which, had it not terminated as a result of the events of September 11, 2001, would have expired by its terms in March 2010, provides for future minimum payments aggregating approximately \$3,164,000, payable \$176,000 in 2005, \$703,000 per year from 2006 through 2009 and \$176,000 in 2010. In addition, minimum payments for the period from September 11, 2001 through September 30, 2005 which were not paid by Ladenburg Capital Management amounted to \$2,649,000. Ladenburg Capital Management is currently in litigation with the landlord in which it is seeking judicial determination of the termination of the lease. If Ladenburg Capital Management is not successful in this litigation, it plans to sublease the property. Ladenburg Capital Management has provided for estimated costs in connection with this lease and has recorded a liability at September 30, 2005 and December 31, 2004. Additional costs may be incurred in connection with terminating this lease, and if not terminated, to the extent Ladenburg Capital Management does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg Capital Management's financial position and liquidity.

Additionally, we have ceased using portions of our office space in New York City and have subleased these areas. Should any of the sub-tenants not renew or renew for a sub-rental less than Ladenburg Thalmann & Co.'s lease commitments, or not pay their rent for an extended period of time, it may have a material adverse effect on Ladenburg Thalmann & Co.'s financial position and liquidity.

### **Our business could be adversely affected by a breakdown in the financial markets.**

As a securities broker-dealer, our business is materially affected by conditions in the financial markets and economic conditions generally, both in the United States and elsewhere around the world. Many factors or events could lead to a breakdown in the financial markets including war, terrorism, natural catastrophes and other types of disasters. These types of events could cause people to begin to lose confidence in the financial markets and their ability to function effectively. If the financial markets are

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unable to effectively prepare for these types of events and ease public concern over their ability to function, our revenues are likely to decline and our operations will be adversely affected.

### **Our revenues may decline in adverse market or economic conditions.**

During the past several years, unfavorable financial and economic conditions have reduced the number and size of the transactions in which we provide underwriting services, merger and acquisition consulting and other services. Our investment banking revenues, in the form of financial advisory and underwriting fees, are directly related to the number and size of the transactions in which we participate and have been adversely affected by the sustained downturn in the securities markets that prevailed through the middle of 2003. Additionally, the downturn in market conditions led to a decline in the volume of transactions that we executed for our customers and, therefore, to a decline in the revenues we received from commissions and spreads. If these adverse financial and economic conditions return and persist for any extended period of time, we will incur a further decline in transactions and revenues that we receive from commissions and spreads.

### **We depend on our senior employees and the loss of their services could harm our business.**

Our success is dependent in large part upon the services of several of our senior executives and employees, including those of Ladenburg Thalmann & Co. We do not maintain and do not intend to obtain key man insurance on the life of any executive or employee. If our senior executives or employees terminate their employment with us and we are unable to find suitable replacements in relatively short periods of time, our operations may be materially and adversely affected.

### **We face significant competition for professional employees.**

From time to time, individuals we employ may choose to leave our company to pursue other opportunities. We have experienced losses of registered representatives, trading and investment banking professionals in the past, and the level of competition for key personnel remains intense. We cannot assure you that the loss of key personnel will not occur again in the future. The loss of a registered representative or a trading or investment banking professional, particularly a senior professional with a broad range of contacts in an industry, could materially and adversely affect our operating results.

### **Our principal shareholders including our directors and officers control a large percentage of our shares of common stock and can significantly influence our corporate actions.**

At the present time, our executive officers, directors and companies that these individuals are affiliated with beneficially own approximately 41.9% of our common stock. Accordingly, these individuals and entities will be able to significantly influence most, if not all, of our corporate actions, including the election of directors and the appointment of officers. Additionally, this ownership of our common stock may make it difficult for a third party to acquire control of us, therefore possibly discouraging third parties from seeking to acquire us. A third party would have to negotiate any possible transactions with these principal shareholders, and their interests may be different from the interests of our other shareholders. This may depress the price of our common stock.

### **The American Stock Exchange (the "Exchange") may delist our common stock from quotation on its exchange.**

Our common stock is currently quoted on the Exchange. In order to continue quotation of our common stock, we must maintain certain financial, distribution and stock price levels. Generally, we must

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maintain a minimum amount in shareholders' equity (usually between \$2.0 million and \$4.0 million) and a minimum number of public shareholders (usually 300 shareholders). Additionally, our common stock cannot have what is deemed to be a "low selling price" as determined by the Exchange.

On January 24, 2006, the last reported sale price of our common stock was \$0.49. If the Exchange determines that this is a "low selling price," it may require us to effect a reverse split or suspend or remove our common stock from listing on the Exchange. In determining whether a reverse split or suspension or removal is appropriate, the Exchange will consider all pertinent factors including market conditions in general, the number of shares outstanding, plans which may have been formulated by management, applicable regulations of the state or country of incorporation or of any governmental agency having jurisdiction over the company and the relationship to other Exchange policies regarding continued listing.

If the Exchange delists our common stock from trading on its exchange, we could face significant material adverse consequences including:

- a limited availability of market quotations for our common stock;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

### **We may lose customers and our revenues may decline due to our lack of Internet brokerage service capability.**

A growing number of brokerage firms offer Internet brokerage services to their customers in response to increased customer demand for these services. Currently, we are unable to offer Internet brokerage services, nor do we anticipate having such ability in the near future. Should we offer such services in the future, the services may not appeal to our current or prospective customers and these services may not be profitable. Our failure to commence Internet brokerage services in the near future could have a material adverse effect on our business including the loss of our existing customers to competitors that do offer these services. Additionally, if we commence Internet brokerage services but are unable to attract customers for those services, our revenues will decline.

### **We rely on one primary clearing broker and the termination of the agreement with this clearing broker could disrupt our business.**

Ladenburg Thalmann & Co. primarily uses one clearing broker to process its securities transactions and maintain customer accounts on a fee basis. The clearing broker also provides billing services, extends credit and provides for control and receipt, custody and delivery of securities. In November 2002, we renegotiated a clearing agreement with one of our clearing brokers whereby this clearing broker became our primary clearing broker, clearing substantially all of our business (the "Clearing Conversion"). As part of the new agreement with this clearing broker, we are realizing significant cost savings from reduced ticket charges and other incentives. In addition, under the new clearing agreement, an affiliate of the clearing broker loaned us an aggregate of \$3,500,000 (the "Clearing

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Loans”) in December 2002, with various terms and maturing at various dates through December 2006. As scheduled, \$1,500,000 and \$667,000 of the Clearing Loans were forgiven in November 2003 and 2004, respectively. The remaining principal balance of the Clearing Loans is scheduled to be forgiven as follows: \$667,000 in November 2005 and \$666,000 in November 2006. However, if the clearing agreement is terminated for any reason prior to the loan maturity date, the loan, less any amount that has been forgiven through the date of the termination, plus interest, must be repaid on demand.

Ladenburg Thalmann & Co. depends on the operational capacity and ability of the clearing broker for the orderly processing of transactions. In addition, by engaging the processing services of a clearing firm, Ladenburg Thalmann & Co. is exempt from some capital reserve requirements and other regulatory requirements imposed by federal and state securities laws. If the clearing agreement is terminated for any reason, we would be forced to find an alternative clearing firm. We cannot assure you that we would be able to find an alternative clearing firm on acceptable terms to us or at all.

### **Our clearing broker extends credit to our clients and we are liable if the clients do not pay.**

Ladenburg Thalmann & Co. permits its clients to purchase securities on a margin basis or sell securities short, which means that the clearing firm extends credit to the client secured by cash and securities in the client’s account. During periods of volatile markets, the value of the collateral held by the clearing broker could fall below the amount borrowed by the client. If margin requirements are not sufficient to cover losses, the clearing broker sells or buys securities at prevailing market prices, and may incur losses to satisfy client obligations. Ladenburg Thalmann & Co. has agreed to indemnify the clearing broker for losses it may incur while extending credit to its clients.

### **We are subject to various risks associated with the securities industry.**

As a securities broker-dealer, Ladenburg Thalmann & Co. is subject to uncertainties that are common in the securities industry. These uncertainties include:

- the volatility of domestic and international financial, bond and stock markets;
- extensive governmental regulation;
- litigation;
- intense competition;
- substantial fluctuations in the volume and price level of securities; and
- dependence on the solvency of various third parties.

As a result, revenues and earnings may vary significantly from quarter to quarter and from year to year. In periods of low volume, profitability is impaired because certain expenses remain relatively fixed. Ladenburg Thalmann & Co. is much smaller and has much less capital than many competitors in the securities industry. In the event of a market downturn, our business could be adversely affected in many ways. Our revenues are likely to decline in such circumstances and, if we are unable to reduce expenses at the same pace, our profit margins would erode.

### **Our risk management policies and procedures may leave us exposed to unidentified risks or an unanticipated level of risk.**

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The policies and procedures we employ to identify, monitor and manage risks may not be fully effective. Some methods of risk management are based on the use of observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by us. This information may not be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. We cannot assure you that our policies and procedures will effectively and accurately record and verify this information.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. We believe that we effectively evaluate and manage the market, credit and other risks to which we are exposed. Nonetheless, the effectiveness of our ability to manage risk exposure can never be completely or accurately predicted or fully assured. For example, unexpectedly large or rapid movements or disruptions in one or more markets or other unforeseen developments can have a material adverse effect on our results of operations and financial condition. The consequences of these developments can include losses due to adverse changes in inventory values, decreases in the liquidity of trading positions, higher volatility in earnings, increases in our credit risk to customers as well as to third parties and increases in general systemic risk.

### **Credit risk exposes us to losses caused by financial or other problems experienced by third parties.**

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties include:

- trading counterparties;
- customers;
- clearing agents;
- exchanges;
- clearing houses; and
- other financial intermediaries as well as issuers whose securities we hold.

These parties may default on their obligations owed to us due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from:

- holding securities of third parties;
- executing securities trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries; and
- extending credit to clients through bridge or margin loans or other arrangements.

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Significant failures by third parties to perform their obligations owed to us could adversely affect our revenues and perhaps our ability to borrow in the credit markets.

### **Intense competition from existing and new entities may adversely affect our revenues and profitability.**

The securities industry is rapidly evolving, intensely competitive and has few barriers to entry. We expect competition to continue and intensify in the future. Many of our competitors have significantly greater financial, technical, marketing and other resources than we do. Some of our competitors also offer a wider range of services and financial products than we do and have greater name recognition and a larger client base. These competitors may be able to respond more quickly to new or changing opportunities, technologies and client requirements. They may also be able to undertake more extensive promotional activities, offer more attractive terms to clients, and adopt more aggressive pricing policies. We may not be able to compete effectively with current or future competitors and competitive pressures faced by us may harm our business.

### **The precautions we take to prevent and detect employee misconduct may not be effective and we could be exposed to unknown and unmanaged risks or losses.**

We run the risk that employee misconduct could occur. Misconduct by employees could include:

- employees binding us to transactions that exceed authorized limits or present unacceptable risks to us;
- employees hiding unauthorized or unsuccessful activities from us; or
- the improper use of confidential information.

These types of misconduct could result in unknown and unmanaged risks or losses to us including regulatory sanctions and serious harm to our reputation. The precautions we take to prevent and detect these activities may not be effective. If employee misconduct does occur, our business operations could be materially adversely affected.

### **Failure to comply with net capital requirements could subject us to suspension or revocation by the SEC or suspension or expulsion by the NASD and the NYSE.**

Ladenburg Thalmann & Co. is subject to the SEC's net capital rule which requires the maintenance of minimum net capital. We compute net capital under the alternate method permitted by the net capital rule. Under this method, Ladenburg Thalmann & Co. is required to maintain net capital equal to \$250,000. At September 30, 2005, Ladenburg Thalmann & Co. had net capital of \$4,965,000 which exceeded its minimum net capital requirement by \$4,715,000. The net capital rule is designed to measure the general financial integrity and liquidity of a broker-dealer. In computing net capital, various adjustments are made to net worth which exclude assets not readily convertible into cash. Additionally, the regulations require that certain assets, such as a broker-dealer's position in securities, be valued in a conservative manner so as to avoid over-inflation of the broker-dealer's net capital. The net capital rule requires that a broker-dealer maintain a certain minimum level of net capital. The particular levels vary in application depending upon the nature of the activity undertaken by a firm. Compliance with the net capital rule limits those operations of broker-dealers which require the intensive use of their capital, such as underwriting commitments and principal trading activities. The rule also limits the ability of securities firms to pay dividends or make payments on certain indebtedness such as subordinated debt as it matures. A significant operating loss or any charge against net capital could adversely affect the ability of a broker-

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dealer to expand or, depending on the magnitude of the loss or charge, maintain its then present level of business. The NASD and the NYSE may enter the offices of a broker-dealer at any time, without notice, and calculate the firm's net capital. If the calculation reveals a deficiency in net capital, the NASD may immediately restrict or suspend certain or all of the activities of a broker-dealer, including its ability to make markets. Ladenburg Thalmann & Co. may not be able to maintain adequate net capital, or its net capital may fall below requirements established by the SEC, and subject us to disciplinary action in the form of fines, censure, suspension, expulsion or the termination of business altogether.

### **Risk of losses associated with securities laws violations and litigation.**

Many aspects of our business involve substantial risks of liability. An underwriter is exposed to substantial liability under federal and state securities laws, other federal and state laws, and court decisions, including decisions with respect to underwriters' liability and limitations on indemnification of underwriters by issuers. For example, a firm that acts as an underwriter may be held liable for material misstatements or omissions of fact in a prospectus used in connection with the securities being offered or for statements made by its securities analysts or other personnel. In recent years, there has been an increasing incidence of litigation involving the securities industry, including class actions that seek substantial damages. Our underwriting activities will usually involve offerings of the securities of smaller companies, which often involve a higher degree of risk and are more volatile than the securities of more established companies. In comparison with more established companies, smaller companies are also more likely to be the subject of securities class actions, to carry directors and officers liability insurance policies with lower limits or not at all, and to become insolvent. Each of these factors increases the likelihood that an underwriter of a smaller companies' securities will be required to contribute to an adverse judgment or settlement of a securities lawsuit.

In the normal course of business, our operating subsidiaries have been and continue to be the subject of numerous civil actions and arbitrations arising out of customer complaints relating to our activities as a broker-dealer, as an employer and as a result of other business activities. In general, the cases involve various allegations that our employees had mishandled customer accounts. We believe that, based on our historical experience and the reserves established by us, the resolution of the claims presently pending will not have a material adverse effect on our financial condition. However, although we typically reserve an amount we believe will be sufficient to cover any damages assessed against us, we have in the past been assessed damages that exceeded our reserves. If we misjudged the amount of damages that may be assessed against us from pending or threatened claims, or if we are unable to adequately estimate the amount of damages that will be assessed against us from claims that arise in the future and reserve accordingly, our financial condition may be materially adversely affected.

### **Possible additional issuances will cause dilution.**

While we currently have outstanding 141,590,530 shares of common stock, options and purchase rights to purchase a total of 23,373,071 shares of common stock and warrants to purchase a total of 200,000 shares of common stock, we are authorized to issue up to 200,000,000 shares of common stock and are therefore able to issue additional shares without being required under corporate law to obtain shareholder approval. If we issue additional shares, or if our existing shareholders exercise their outstanding options, our other shareholders may find their holdings drastically diluted, which if it occurs, means that they will own a smaller percentage of our company.

### **We may issue preferred stock with preferential rights that may adversely affect your rights.**

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The rights of our shareholders will be subject to and may be adversely affected by the rights of holders of any preferred stock that we may issue in the future. Our articles of incorporation authorize our board of directors to issue up to 2,000,000 shares of “blank check” preferred stock and to fix the rights, preferences, privilege and restrictions, including voting rights, of these shares without further shareholder approval.

### WARNING REGARDING OUR USE OF FORWARD-LOOKING STATEMENTS

Some of the statements contained in this prospectus are forward-looking that relate to possible future events, our future performance and our future operations. In some cases, you can identify these forward-looking statements by the use of words such as “may,” “will,” “should,” “anticipates,” “believes,” “expects,” “plans,” “future,” “intends,” “could,” “estimate,” “predict,” “potential,” “continue,” or the negative of these terms or other similar expressions. These statements are only our predictions. Our actual results could and likely will differ materially from these forward-looking statements for many reasons, including the risks described above and appearing elsewhere in this prospectus. We cannot guarantee future results, levels of activities, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of this prospectus to conform them to actual results or to changes in our expectations.

### USE OF PROCEEDS

We will not receive any proceeds from the sale of the shares covered by this prospectus. However, we have already received approximately \$6,220,950 as payment for the 13,824,331 shares which were issued to the selling shareholders and are being registered for resale under this prospectus.

### SELLING SHAREHOLDERS

The following table provides certain information with respect to the selling shareholders’ beneficial ownership of our common stock as of January 27, 2006 and as adjusted to give effect to the sale of all of the shares offered by this prospectus. Except as otherwise indicated, the number of shares reflected in the table has been determined in accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended. Unless otherwise indicated, each of the selling shareholders possesses sole voting and investment power with respect to the securities shown.

Name	Shares Beneficially Owned Before Offering		Number of Shares Offered	Shares Beneficially Owned After Offering	
	Number of Shares	Percentage		Number of Shares	Percentage
Crestview Capital Master, LLC <sup>(1)</sup>	2,800,000	2.0%	2,800,000	0	0
Wendy C. Katz	1,252,500 <sup>(2)</sup>	*	200,000	1,052,500 <sup>(3)</sup>	*
Brian D. & Lenore Gordon JTROS	1,000,000	*	1,000,000	0	0
Silverman Partners <sup>(4)</sup>	1,000,000	*	1,000,000	0	0
Jane H. Hsiao	1,000,000	*	1,000,000	0	0
Zachariah P. Zachariah	1,000,000	*	1,000,000	0	0
Ernest M. Halpryn	872,000 <sup>(5)</sup>	*	800,000 <sup>(6)</sup>	72,000 <sup>(7)</sup>	*



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Name	Shares Beneficially Owned Before Offering		Number of Shares Offered	Shares Beneficially Owned After Offering	
	Number of Shares	Percentage		Number of Shares	Percentage
Howard Malman	750,000	*	750,000	0	0
Glenn L. Halpryn	722,000 <sup>(8)</sup>	*	650,000 <sup>(9)</sup>	72,000 <sup>(7)</sup>	*
Jacqueline Simkin	500,000 <sup>(10)</sup>	*	500,000 <sup>(10)</sup>	0	0
Lexer Capital Ltd. Profit Sharing Plan <sup>(11)</sup>	450,000	*	450,000	0	0
Demetrios Ziozis	333,333	*	333,333	0	0
Silver Young Trading LLC <sup>(12)</sup>	333,333	*	333,333	0	0
Fredric Gould	333,333	*	333,333	0	0
Neil Flanzraich	245,022 <sup>(13)</sup>	*	222,222	22,800 <sup>(13)</sup>	*
Dennis Spina	222,222	*	222,222	0	0
Daniel H. Spitzberg	222,222	*	222,222	0	0
Morton Partners, LP <sup>(14)</sup>	222,222	*	222,222	0	0
Jeffrey G. Spragens	222,222	*	222,222	0	0
John Georgallas	222,222	*	222,222	0	0
Alan & Louise Dabrow JTROS	150,000	*	100,000	50,000	*
Paul S. Dennis	125,000	*	100,000	25,000	*
Alvin Gorman	111,111	*	111,111	0	0
Jeffrey Gould	111,111	*	111,111	0	0
Matthew Gould	111,111	*	111,111	0	0
Jack A. Cohen	110,000	*	100,000	10,000	*
Terry R. & Laura A. Thompson JTROS	100,000	*	100,000	0	0
Edward S. & Patricia Gutman JTROS	100,000	*	100,000	0	0
Stan Martin	100,000	*	100,000	0	0
Richard Winiarski	100,000	*	100,000	0	0
Steven & Michele Pesner JTROS	100,000	*	80,000	20,000	*
Howard J. Synenberg	108,000	*	60,000	48,000	*
Beno Michel	70,000 <sup>(15)</sup>	*	30,000 <sup>(15)</sup>	40,000 <sup>(15)</sup>	*
Stanley M. Cohen	61,900 <sup>(16)</sup>	*	35,000	26,900 <sup>(16)</sup>	*
John S. & Stella C. Patterson JTROS	55,556	*	55,556	0	0
Joel Friedman	55,000	*	40,000	15,000	*
William E. Bernstein	51,889	*	24,889	27,000	*
Hartzmark Investment LLC <sup>(17)</sup>	50,000	*	50,000	0	0
Jo-Bar Enterprises, LLC <sup>(18)</sup>	50,000	*	50,000	0	0
Marvin Kogod	50,000	*	50,000	0	0
Robert M. Rosin	50,000	*	20,000	30,000	*
Edward L. Ruch	50,000	*	30,000	20,000	*

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Name	Shares Beneficially Owned Before Offering		Number of Shares Offered	Shares Beneficially Owned After Offering	
	Number of Shares	Percentage		Number of Shares	Percentage
Gary Phillips Roth IRA	40,000	*	40,000	0	0
Miriam Phillips Roth IRA	40,000	*	40,000	0	0
Melvin Paikoff	40,000	*	40,000	0	0
Elliot F. Dworkin	30,000 <sup>(19)</sup>	*	30,000 <sup>(19)</sup>	0	0
Kenneth M. Reichle, Jr.	30,000	*	30,000	0	0
Victor J. Scaravilli	30,000	*	30,000	0	0
Oscar Zimmerman	30,000	*	30,000	0	0
William G. Frick	25,000	*	25,000	0	0
Hymie Akst	25,000	*	25,000	0	0
Stephen M. Bragin	25,000	*	25,000	0	0
Albert M. Lefkovits	22,222	*	22,222	0	0
Sidelmar Inc. <sup>(20)</sup>	20,000	*	20,000	0	0
Jonas B. Glenn	20,000	*	10,000	10,000	*
Steven Dabrow	15,000	*	15,000	0	0

\* Less than 1%.

- (1) Mr. Stewart R. Flink, managing member of Crestview Capital Master, LLC, exercises voting and dispositive power over these shares.
- (2) Represents (i) 1,000,000 shares of common stock held by Ms. Katz's husband and (ii) 252,500 shares held by the Wendy C. Katz Revocable Family Trust, of which Ms. Katz is trustee. Ms. Katz exercises voting and dispositive power over the shares held by the Wendy C. Katz Revocable Family Trust.
- (3) Represents (i) 1,000,000 shares of common stock held by Ms. Katz's husband and (ii) 52,500 shares held by the Wendy C. Katz Revocable Family Trust, of which Ms. Katz is trustee. Ms. Katz exercises voting and dispositive power over the shares held by the Wendy C. Katz Revocable Family Trust.
- (4) Mr. Harvey Silverman, president of Silverman Partners, exercises voting and dispositive power over these shares.
- (5) Represents (i) 200,000 shares of common stock held by Mr. Halpryn, (ii) 209,000 shares of common stock held by IVC Investors, Ltd., (iii) 233,000 shares of common stock held by Prine Interinvest Limited and (iv) 230,000 shares of common stock held by Transworld Investment Corporation. Ernest Halpryn is president of each of these entities and Glenn Halpryn is vice president of IVC Investors, authorized agent of Prine Interinvest Limited and chief executive officer of Transworld Investment Corporation. Ernest Halpryn and Glenn Halpryn exercise shared voting and dispositive power over such shares.
- (6) Represents (i) 200,000 shares of common stock held by Mr. Halpryn, (ii) 200,000 shares of common stock held by IVC Investors, Ltd., (iii) 200,000 shares of common stock held by Prine Interinvest Limited and (iv) 200,000 shares of common stock held by Transworld Investment Corporation.

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- (7) Represents (i) 9,000 shares of common stock held by IVC Investors, Ltd., (ii) 33,000 shares of common stock held by Prine Intervest Limited and (iii) 30,000 shares of common stock held by Transworld Investment Corporation.
- (8) Represents (i) 50,000 shares of common stock held by Mr. Halpryn, (ii) 209,000 shares of common stock held by IVC Investors, Ltd., (iii) 233,000 shares of common stock held by Prine Intervest Limited and (iv) 230,000 shares of common stock held by Transworld Investment Corporation. Ernest Halpryn is president of each of these entities and Glenn Halpryn is vice president of IVC Investors, authorized signatory of Prine Intervest Limited and chief executive officer of Transworld Investment Corporation. Ernest Halpryn and Glenn Halpryn exercise shared voting and dispositive power over such shares.
- (9) Represents (i) 50,000 shares of common stock held by Mr. Halpryn, (ii) 200,000 shares of common stock held by IVC Investors, Ltd., (iii) 200,000 shares of common stock held by Prine Intervest Limited and (iv) 200,000 shares of common stock held by Transworld Investment Corporation.
- (10) These shares are held by the Jacqueline Simkin Trust, of which Ms. Simkin is trustee. Ms. Simkin exercises voting and dispositive power over these shares.
- (11) Mr. Lowell D. Kraff, president of Lexer Capital Ltd., exercises voting and dispositive power over these shares.
- (12) Mr. Lawrence M. Silver, managing member of Silver Young Trading LLC, exercises voting and dispositive power over these shares.
- (13) Includes 22,800 shares of common stock held in an IRA account for Mr. Flanzraich's benefit.
- (14) Beta Advisors, the general partner of Morton Partners, LP, exercises voting and dispositive power over these shares.
- (15) These shares are held by the Beno Michel Trust #2, of which Beno Michel is trustee. Mr. Michel exercises voting and dispositive power over these shares.
- (16) Includes 26,900 shares of common stock held by Mr. Cohen's wife.
- (17) Ms. Dolores Hartzmark, manager of Hartzmark Investment LLC, exercises voting and dispositive power over these shares.
- (18) Messrs. Joel Stone and Russell Stone, managing members of Jo-Bar Enterprises, LLC, exercise shared voting and dispositive power over these shares.
- (19) Does not include the shares of common stock held by Sidelmar Inc. described below.
- (20) Mr. Elliot Dworkin, manager of Sidelmar Inc., exercises voting and dispositive power over these shares.

Each of the selling shareholders acquired the securities in the private placement in the ordinary course of their business for investment purposes and at the time of the purchase had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

### **PLAN OF DISTRIBUTION**

The sale or distribution of the common stock may be effected directly to purchasers by the selling shareholders, or by any donee, pledgee or transferee of the selling shareholders as principals, or through one or more underwriters, brokers, dealers or agents from time to time in one or more public or private transactions by any legally available means, including:

- block trades;
- on the American Stock Exchange or in the over-the-counter market;

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- otherwise than on the American Stock Exchange or in the over-the-counter market;
- through the writing of put or call options relating to the common stock;
- entering into hedging transactions with broker-dealers, and the broker-dealers may in turn engage in short sales of the shares as part of establishing and maintaining the hedge positions they entered into with the selling shareholders;
- entering into option or loan transactions that require the selling shareholder to deliver shares to a broker-dealer which may then resell or otherwise transfer the shares pursuant to this prospectus to cover the broker-dealer's own short sales of the shares or to cover short sales of the shares by customers of the broker-dealer;
- engaging in short sales of the common stock and delivering shares to cover such short positions;
- the pledging of common stock to a broker-dealer and upon the default by the selling shareholder on the pledge the broker-dealer may sell the pledged shares in accordance with this prospectus;
- through the distribution of the common stock by any selling shareholder to its partners, members or shareholders; or
- through a combination of these methods of sale.

Any of these transactions may be effected:

- at market prices prevailing at the time of sale;
- at prices related to the prevailing market prices;
- at varying prices determined at the time of sale; or
- at negotiated or fixed prices.

The sale or distribution of common stock under this prospectus will be made in compliance with the applicable provisions of NASD Conduct Rule 2720. If the selling shareholders effect transactions to or through underwriters, brokers, dealers or agents, these underwriters, brokers, dealers or agents may receive compensation in the form of discounts, concessions or commissions from the selling shareholders or purchasers. These discounts, concessions or commissions may be in excess of those customary for the types of transactions involved. However, no NASD member or independent broker-dealer will receive a commission or discount in excess of 8%.

The selling shareholders and any broker, dealer or agent that assists in the sale of the common stock may be deemed to be underwriters within the meaning of Section 2(a)(11) of the Securities Act. Accordingly, any profit on the sale of common stock by them and any discounts, concessions or commissions received by any of the underwriters, brokers, dealers or agents may be deemed to be underwriting discounts and commissions under the Securities Act.

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Selling shareholders may also resell all or a portion of the common stock in open market transactions in reliance upon Rule 144 under the Securities Act. In these cases, they must meet the criteria and conform to the requirements of that rule.

We will pay all of the costs, expenses and fees incident to the registration of the shares offered under this prospectus. The selling shareholders are responsible for any costs, expenses and fees related to the offer and sale of the common stock to the public, including brokerage commissions, fees and discounts of underwriters, brokers, dealers and agents.

### **LEGAL MATTERS**

The legality of the common stock offered by this prospectus has been passed upon by Graubard Miller, New York, New York.

### **EXPERTS**

Our consolidated financial statements as of December 31, 2004 and 2003 and for each of the three years in the period ended December 31, 2004 appearing in our Annual Report on Form 10-K for the year ended December 31, 2004, have been audited by Eisner LLP, an independent registered public accounting firm, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon the report of Eisner LLP given upon their authority as experts in accounting and auditing.

### **WHERE YOU CAN FIND ADDITIONAL INFORMATION**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room.

The SEC allows us to incorporate by reference the information we file with it, which means that we can disclose important information to you by referring you to those documents. Any statement contained in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus. Any information that we file after the date of this prospectus with the SEC will automatically update and supersede the information contained in this prospectus. This prospectus incorporates by reference our documents listed below and any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act until all of the securities are sold:

- our annual report on Form 10-K for the fiscal year ended December 31, 2004;
- our quarterly reports on Form 10-Q for the quarters ended March 31, 2005, June 30, 2005 and September 30, 2005;

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- our current report on Form 8-K dated April 14, 2005 and filed with the SEC on April 19, 2005;
- our current report on Form 8-K dated June 13, 2005 and filed with the SEC on June 15, 2005;
- our current report on Form 8-K dated August 1, 2005 and filed with the SEC on August 5, 2005;
- our current report on Form 8-K dated September 26, 2005 and filed with the SEC on September 30, 2005;
- our current report on Form 8-K dated November 1, 2005 and filed with the SEC on November 8, 2005, as amended on November 21, 2005;
- our current report on Form 8-K dated November 30, 2005 and filed with the SEC on November 30, 2005; and
- the description of our common stock contained in our registration statement on Form 8-A (No. 1-15799) filed with the SEC pursuant to Section 12(b) of the Exchange Act.

Potential investors may obtain a copy of any of our SEC filings without charge by written or oral request directed to Ladenburg Thalmann Financial Services Inc., Attention: Investor Relations, 590 Madison Avenue, 34th Floor, New York, New York 10022, (212) 409-2000.

**PART TWO**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION.**

The estimated expenses payable by us in connection with the distribution of the securities being registered are as follows:

SEC Registration and Filing Fee	\$ 784
NASD Registration and Filing Fee	1,200
Legal Fees and Expenses	20,000
Accounting Fees and Expenses	5,000
Printing	500
Miscellaneous	<u>2,516</u>
<b>TOTAL</b>	<b>\$30,000</b>

**ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.**

Section 607.0850 of the 1989 Business Corporation Act of the State of Florida empowers a Florida corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or other type of proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal (other than an action by, or in the right of, the corporation) by reason of the fact that he or she is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against liability, judgments, settlements, penalties, fines (including excise taxes assessed with respect to any employee benefit plan), and expenses (including counsel's fees) actually and reasonably incurred in connection with the proceeding and any subsequent appeals, if he or she acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the corporation, and with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. The termination of any proceeding by judgment, order, settlement, or conviction, or upon plea of nolo contendere or its equivalent, does not, of itself, create a presumption that the person did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, or, with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

In the case of an action by or in the right of the corporation, Section 607.0850 empowers a corporation to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or other type of proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, in any of the capacities set forth above against expenses (including counsel's fees) and amounts paid in settlement not exceeding, in the judgment of the board of directors, the estimated expense of litigating the proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement of the proceeding or any subsequent appeals, if the person acted in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the corporation. With respect to any claim, issue, or matter as to which the person is adjudged to be liable to the corporation, indemnification is not permitted unless, and only to the extent that, the court in which the proceeding was brought determines upon application that, despite the

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adjudication of liability but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses that the court deems proper.

Section 607.0850 further provides:

- that a Florida corporation is required to indemnify a director, officer, employee, or agent against expenses (including counsel's fees) actually and reasonably incurred by the person in connection with any proceeding or in defending any claim, issue, or matter involved in the proceeding as to which the person has been successful on the merits or otherwise;
- that indemnification provided for by Section 607.0850 shall not be deemed exclusive of any other rights to which the indemnified party may be entitled;
- that indemnification provided for by Section 607.0850 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the person's heirs, executors, and administrators; and
- that a Florida corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation or who is or was serving at the request of the corporation as a director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against any liability asserted against the person and incurred by him or her in any such capacity or arising out of his or her status as such, whether or not the corporation would have the power to indemnify the person against liability under Section 607.0850.

A Florida corporation may provide indemnification only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he or she has met the applicable standard of conduct. The determination is to be made:

- by the board of directors upon majority vote of a quorum consisting of directors who were not party to the proceeding;
- if a quorum is not obtainable, or, even if obtainable, by majority vote of a committee consisting solely of two or more directors who are not parties to the proceeding at the time, duly designated by the board of directors (in which interested directors may participate);
- by independent legal counsel selected by majority vote of the board of directors who were not party to the proceeding or a committee so designated by the board of directors; or
- by shareholders upon majority vote of a quorum consisting of shareholders who were not parties to the proceeding or, if a quorum is not obtainable, by a majority vote of shareholders who were not parties to the proceeding.

Article XI of our articles of incorporation, as amended, and Article VII of our bylaws provide for indemnification of our directors and officers to the fullest extent permitted by law, as now in effect or later amended. Article VII of our bylaws provides that expenses incurred by a director or officer in defending a civil or criminal action, suit, or proceeding may be paid by us in advance of a final disposition upon receipt



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of an undertaking by or on behalf of the director or officer to repay the advanced amount if he or she is ultimately found not to be entitled to indemnification.

We may provide liability insurance for each of our directors and officers for certain losses arising from claims or charges made against them while acting in their capacities as directors or officers. We currently maintain this type of liability insurance.

Additionally, we have entered into indemnification agreements with all of our directors and officers whereby we have agreed to indemnify, and advance expenses to, each indemnitee to the fullest extent permitted by applicable law. The indemnification agreements will continue until and terminate upon the later of (i) ten years after the date that the indemnitee has ceased to serve as a director or officer for us or (ii) the final termination of all pending proceedings in respect of which the indemnitee is granted rights of indemnification or advancement of expenses or any proceeding commenced by the indemnitee.

### **Item 16. EXHIBITS**

<u>Exhibit Number</u>	<u>Description</u>	<u>Incorporated By Reference from Document</u>	<u>No. in Document</u>	<u>Page</u>
4.1	Form of Subscription Agreement between the Company and each Investor	A	10.1	—
5.1	Opinion of Graubard Miller	B	5.1	—
23.1	Consent of Eisner LLP	—	—	Filed Herewith
23.2	Consent of Graubard Miller (included in Exhibit 5.1)	—	—	—
24.1	Power of Attorney (included on signature page of this Registration Statement)	—	—	—

A. Current Report on Form 8-K, dated November 30, 2005 and filed with the SEC on November 30, 2005.

B. Registration Statement on Form S-3 (SEC File No. 333-130028) filed with the SEC on November 30, 2005.

### **Item 17. UNDERTAKINGS**

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

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(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the SEC pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3, Form S-8 or Form F-3, and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed with or furnished to the SEC by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this registration statement to be signed on its behalf by the undersigned, hereunto duly authorized, in New York, New York on January 27, 2006.

LADENBURG THALMANN FINANCIAL SERVICES INC.  
(Registrant)

By: /s/ Mark D. Klein  
Name: Mark D. Klein  
Title: President and Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Mark D. Klein</u> Mark D. Klein	President and Chief Executive Officer (Principal Executive Officer)	January 27, 2006
<u>/s/ Salvatore Giardina</u> Salvatore Giardina	Vice President and Chief Financial Officer (Principal Accounting and Financial Officer)	January 27, 2006
<u>*</u> Henry C. Beinstein	Director	January 27, 2006
<u>*</u> Robert J. Eide	Director	January 27, 2006
<u>Dr. Phillip Frost</u>	Director	

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<u>Signature</u>	<u>Title</u>	<u>Date</u>
* _____ Brian S. Genson	Director	January 27, 2006
* _____ Richard J. Lampen	Director	January 27, 2006
_____ Howard M. Lorber	Director	
* _____ Vincent A. Mangone	Director	January 27, 2006
* _____ Benjamin D. Pelton	Director	January 27, 2006
* _____ Jeffrey S. Podell	Director	January 27, 2006
* _____ Steven A. Rosen	Director	January 27, 2006
_____ Richard J. Rosenstock	Director	
* _____ Mark Zeitchick	Director	January 27, 2006
* By Salvatore Giardina, Power of Attorney _____		



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the reference to our firm under the caption “Experts” in Amendment No. 1 to the Registration Statement of Ladenburg Thalmann Financial Services, Inc. (the “Company”) on Form S-3 (No. 333-130028) and to the incorporation by reference therein of our report dated February 17, 2005 (except for the seventh paragraph of Note 8, under Litigation and Regulatory Matters and Notes 12 and 13, as to which the dates are March 23, 11, and 25, 2005, respectively), with respect to the consolidated financial statements of the Company included in its Annual Report on Form 10-K for the year ended December 31, 2004, filed with the Securities and Exchange Commission.

/s/ Eisner LLP

Eisner LLP  
New York, New York  
January 27, 2006



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January 27, 2006

**VIA EDGAR AND FEDERAL EXPRESS**

Mr. Christian Windsor  
Special Counsel  
Mail Stop 0408  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, DC 20549

Re: Ladenburg Thalmann Financial Services Inc.  
Registration Statements on Form S-3  
Filed November 30, 2005  
File Nos. 333-130026 and 130028

Dear Mr. Windsor:

On behalf of Ladenburg Thalmann Financial Services Inc. (the "Company"), we respond as follows to the Staff's comment letter, dated December 14, 2005, relating to the above-captioned Registration Statements. Captions and page references herein correspond to those set forth in Amendment No. 1 to the Registration Statements, a copy of each of which has been marked with the changes from the original filing of the Registration Statements. We are also delivering three (3) courtesy copies of each such marked Amendment No. 1 to Gregory Dundas. Please note that for the Staff's convenience, we have recited each of the Staff's comments and provided the Company's response to each comment immediately thereafter. Additionally, we have, where appropriate, indicated in the markings of the courtesy hard copies of each of the marked Amendment No. 1 the specific locations in such amendment in which our responses to the Staff's comments are reflected.

**General**

***1. With respect to the private placement, please tell us the exemption from registration relied upon and the pertinent facts relied upon to make the exemption available. Please provide us with a copy of any memorandum or offering circular used in connection with the private placement.***

The shares were issued in private transactions (and not as part of a public offering) under Rule 506 promulgated under Section 4(2) of the Securities Act of 1933, as amended ("Securities

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Act”). All the requirements of Rule 506 promulgated under the Securities Act were complied with as follows:

- All of the terms and conditions of Rules 501 and 502 promulgated under the Securities Act were complied with in that the selling shareholders were all “accredited investors” (as defined in Rule 501);
- each selling shareholder acknowledged that the shares they acquired were for their own account, for investment, and not with a view towards the distribution thereof, that the shares constituted “restricted securities,” as that term is defined in Rule 144 promulgated under the Securities Act and that the shares had not been registered under the Securities Act or any state securities laws and that they could not make any disposition of such shares unless they were so registered under the Securities Act or an applicable exemption was available from such registration requirements; and
- the issuance of the shares was not done by any form of general solicitation or general advertising.

Accordingly, we believe the issuances were exempt under Section 4(2) and Rule 506 of the Securities Act. A copy of the offering memorandum is attached hereto.

***2. The registration for resale of the shares of affiliates appears to be an offering by or on behalf of the company. As a result, such registration appears to be inconsistent with Rule 415(a)(4) of Regulation C. In addition, Form S-3 appears to be unavailable for this offering. Refer to Item #29 of Section D of the Telephone Interpretation Manual and General Instruction B.1 of Form S-3. Please revise or provide the staff with an analysis and authority for such resale registration.***

We respectfully submit that the resale of shares by the selling shareholders that are related to the Company is not an offering by or on behalf of the Company and that the shares can properly be registered for resale under the Registration Statement under Rule 415(a)(1)(i). Item #29 of Section D of the Staff’s Manual of Publicly Available Telephone Interpretations recognizes that in determining whether an offering styled as a secondary one is really on behalf of the issuer, consideration should be given to “how long the selling shareholders have held the shares, the circumstances under which they received them, their relationship to the issuer, the amount of shares involved, whether the sellers are in the business of underwriting securities and finally, whether under all the circumstances it appears that the seller is acting as a conduit for the issuer.” We respectfully submit that these factors demonstrate that, with respect to the selling shareholders related to the Company, the resale of the shares is not an offering by or on behalf of the Company.

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How long the selling shareholders have held the shares. In connection with the consummation of the private placement on November 30, 2005, each selling shareholder related to the Company submitted a binding subscription agreement with respect to his or its purchase obligation. The Company may physically issue the shares to these selling shareholders only upon approval from the Company's shareholders for this transaction. The Company is currently in the process of preparing its Schedule 14A proxy statement but it is not anticipated that the shareholder meeting will be held until April 2006. Accordingly, such individuals have been at market risk with respect to such shares since November 2005. As a result, the selling shareholders will have effectively held such shares for a significant period of time prior to being able to resell such shares.

Circumstances under which selling shareholders received the shares. All of the shares registered under the Registration Statement on behalf of the selling shareholders related to the Company were sold to such investors for cash at a fixed price of \$0.45 per share, the same price that all other investors paid for their shares. Each investor represented to the Company that he or it was acquiring the securities for his or its own account for investment and not with a view to, or for sale in connection with, any subsequent distribution of the securities, nor with any present intention of selling or otherwise disposing of all or any part of the securities. Interpretation 3S.(b) in the March 1999 supplement to the Manual of Publicly Available Telephone Interpretations states that the Staff will not object if a company registers the resale of securities purchased in a Section 4(2)-exempt sale "if the investor is at market risk at the time of filing of the resale registration statement." In contrast to many PIPE transactions in which the filing or effectiveness of the registration statement is a condition to the investors' obligation to close the transaction, the only condition to the closing of the private placement with respect to the Company's related investors was approval by the Company's shareholders and the American Stock Exchange ("Exchange"), which approval by the Exchange had been already obtained. Accordingly, upon acceptance of the binding subscriptions from such investors, they have been bound to purchase the securities subscribed for, assuming the occurrence of the foregoing events which are outside of their control. Since the receipt of such subscriptions, the price of the Company's common stock has fluctuated from a high of \$0.56 per share to a low \$0.42 per share. As a result, investors have been at market risk throughout this period and will continue to be at market risk until the Company holds its shareholder meeting.

Relationship of the selling shareholders to the issuer. Other than five of the selling shareholders (Messrs. Frost, Lampen, Rosen, Rosenstock and Zeitchick, each of whom is a director of the Company), all of the selling shareholders are employees or officers of the Company's subsidiaries, or family members of such individuals, that are not in a position to control or influence the Company's activities. While each of the selling shareholders has some affiliation with the Company, only the five selling shareholders referred to above would be considered "affiliates" of the Company under the SEC rules and regulations. However, because of the requirements of the Exchange to obtain shareholder approval for the sale of securities to any of the Company's officers, directors, employees and consultants, and any related persons to such individuals, the Company is obligated to have a separate closing for such individuals'

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investment. Furthermore, each selling shareholder purchased securities in the private placement on the same terms and subject to the same conditions (other than the additional condition to receive approval for the transaction by the Company's stockholders and the Exchange) as the other investors who had no prior relationship with the Company. Accordingly, we do not believe the selling shareholders' relationship with the Company is indicative of an indirect primary offering on behalf of the Company.

*The amount of shares involved.* The amount of securities covered by the Registration Statement for investors related to the Company in the private placement is 8,397,891 shares and the Company currently has 141,590,530 shares outstanding (not including such shares to be issued to the Company's related investors). Accordingly, this would represent only 5.9% of the Company's outstanding securities upon consummation of this portion of the private placement.

*Whether the sellers are in the business of underwriting securities.* While each of the selling shareholders is related in some way to Ladenburg Thalmann & Co. Inc., the Company's broker-dealer subsidiary ("Ladenburg"), Ladenburg did not purchase any shares in the private placement and Ladenburg will not be participating in any way in the offering of shares by any of the selling shareholders.

*Whether under all the circumstances it appears that the seller is acting as a conduit for the issuer.* Based on the foregoing, we respectfully believe that the selling shareholders are not acting as a conduit for the Company. Each investor represented to the Company that it was acquiring the securities for its own account for investment and not with a view to, or for sale in connection with, any subsequent distribution of the securities, nor with any present intention of selling or otherwise disposing of all or any part of the securities. Ladenburg will not be participating in any way in the offering of the shares by any of the selling shareholders. Accordingly, we respectfully believe that the offering was properly characterized as a secondary offering.

***3. On page 3 you state that the offering to the affiliates is subject to shareholder approval. It does not appear that you have filed either a Schedule 14A proxy statement or a Schedule 14C information statement. Please provide your analysis of how it is appropriate to register shares, the sale of which has not received the requisite shareholder approval.***

As described above in response to Comment 2, the Company is in the process of preparing its Schedule 14A proxy statement and will file such proxy statement with the SEC. The Company will request acceleration of the effective date of the Registration Statement (SEC File No. 333-130026) only and if the Company's shareholders approve the private placement to the Company's related investors.

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**Cover Page**

**4. Please identify Mr. Frost and disclose that he is offering 2.4 million shares of which he is beneficial owner.**

We have revised the cover page of the prospectus of the Registration Statement (SEC File No. 333-130026) to identify Dr. Frost and to disclose that he is offering 2.4 million shares of which he is beneficial owner.

**Risk Factors**

**5. We note in your introductory paragraph the statement that this section describes some, but not all, of the risks of purchasing shares in your company. Please revise to delete this language. You must disclose all risks that you believe are material at this time. Discussing the possibility of risks that are currently unknown or appear immaterial is unnecessarily confusing.**

We have revised the introductory paragraph of the section titled "Risk Factors" in each of the Registration Statements to indicate that we discuss all material risks to investors in such sections.

**6. With respect to the possibility of being delisted from the American Stock Exchange, please tell us of any correspondence during the last year between the company and the exchange with regard to delisting, or any specific indication from the exchange that delisting may occur in the foreseeable future, and if so what steps the company has taken or plans to take to avoid such action. To the extent possible, tell us the anticipated impact the registration of the current shares may have on the ability of the company to remain listed on the AMEX.**

On September 20, 2004, the Company received notice from the Exchange indicating that it was below certain additional continued listing standards of the Exchange, specifically that the Company had sustained losses in three of its four most recent fiscal years with shareholders' equity of less than \$4.0 million, as set forth in Section 1003(a)(ii) of the Exchange's Company Guide. At that time, the Company was afforded an opportunity to submit a revised plan advising the Exchange of action the Company had taken, or would take, that would bring it into compliance with all continued listing standards by May 13, 2005 and did so in October 2004. As a result, the Company was allowed to maintain its listing on the Exchange through May 13, 2005, during which time it was subject to continued periodic review by the Exchange's staff to determine whether it was making progress consistent with the revised plan. Since such time, the Company has been in compliance with the Exchange's continued listing standards. As the Exchange has approved for listing the shares of common stock sold and to be sold in the Company's private placement, it is not anticipated that the registration of the current shares will have any impact on the Company's ability to remain listed on the Exchange.

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**Use of Proceeds**

7. *Please disclose to what extent, if any, the proceeds from the private placement are being or will be used to discharge the company's indebtedness.*

The Company does not intend on using any of the proceeds from the private placement to discharge the Company's indebtedness.

**Selling Shareholders**

8. *Please advise the staff whether each selling shareholder is a broker-dealer or an affiliate, as defined by Rule 405, of a broker-dealer. Please tell us whether they acquired their securities as compensation for the professional services of the broker-dealer, or if the securities were acquired as investments.*

Glenn Halpryn is an officer of United Security Corporation, a broker-dealer. Ms. Wendy Katz married to Erwin Katz, an employee of Raymond James & Associates, Inc., a broker-dealer. Both Mr. Halpryn and Ms. Katz acquired their securities solely for investment purposes and not as compensation for any professional services of the broker-dealer they are affiliated with. Additionally, each of the selling shareholders listed on Registration Statement, SEC File No. 333-130026, is related to the Company or Ladenburg as follows:

<b><u>Name of Selling Shareholder</u></b>	<b><u>Relationship to the Company or Ladenburg</u></b>
Dr. Phillip Frost	Director of the Company
Peter Philipps	Father of Michael Philipps, the head of Ladenburg Thalmann & Co.'s Institutional Sales Trading Desk
Bradley & Judith Chase JTROS	Bradley Chase is an Advisory Board member of the Company
Michael Gross	Advisory Board member of the Company
Paul Moskowitz	Consultant to Ladenburg Thalmann & Co.
Stacy Weissman	Former wife of Lawrence B. Weissman, former Chief Investment Strategist for Ladenburg Thalmann Asset Management Inc., a subsidiary of the Company
Peter H. Blum	Senior Managing Director of Investment Banking of Ladenburg Thalmann & Co.
Robert A. Coe Revocable Trust	Robert A. Coe is the father of Mark D. Coe, Managing Director of Ladenburg Thalmann & Co.
William Veghte	Advisory Board member of the Company
Richard J. Rosenstock	Director of the Company
MZ Trading LLC	Mark Zeitchick, the sole managing member of MZ Trading, is a Director of the Company
Richard J. Lampen	Director of the Company
Alexander E. Chapro Profit Sharing Plan	Father of Andrew E. Chapro, employee of Ladenburg Thalmann & Co.
Paul Weissman	Father of Lawrence B. Weissman, former Chief Investment Strategist for Ladenburg Thalmann Asset Management Inc., a subsidiary of the Company
Eric H. Jensen Revocable Trust	Eric H. Jensen is an Advisory Board member of the Company

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Scott Riemer IRA Rollover	Scott Riemer is an employee of Ladenburg Thalmann & Co.
Andrew E. Chapro	Employee of Ladenburg Thalmann & Co.
Susan U. Chapro	Mother of Andrew E. Chapro, employee of Ladenburg Thalmann & Co.
Dr. Steven A. Rosen	Director of the Company
J. Bryant Kirkland III	Former Chief Financial Officer of the Company
Lonnie Ogulnick	Employee of Ladenburg Thalmann & Co.
Edmond J. Harris	Employee of Ladenburg Thalmann & Co.

All of the foregoing individuals acquired their securities solely for investment purposes and not as compensation for any professional services of the broker-dealer they are affiliated with.

**9. For any registered broker-dealer who acquired the securities to be resold otherwise than as compensation securities for services, revise your disclosure to identify that registered broker-dealer as an underwriter of the securities to be resold.**

No registered broker-dealer acquired any of the securities that were being sold, or are being sold, in the Company's private placement. Accordingly, we respectfully do not believe any revision to either of the Registration Statements is necessary.

**10. If any of the selling shareholders are affiliates of broker-dealers (but not broker-dealers), then include disclosure indicating that those broker-dealer affiliates:**

- *purchased the securities in the ordinary course of business; and*
- *at the time of the purchase had no agreements or understandings, directly or indirectly, with any person to distribute the securities.*

***Unless you indicate that these two conditions are met, it appears you should indicate that the broker-dealer affiliates are underwriters. Please revise accordingly, or tell us why you don't believe any broker-dealer affiliate offering shares for resale is unable to make the above representations is not acting as an underwriter. We may have further comment.***

We have revised the disclosure in the Registration Statements to indicate that all selling shareholders that are also affiliates of broker-dealers purchased the securities in the ordinary course of business and at the time of the purchase had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

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Mr. Christian Windsor  
January 27, 2006  
Page 8

If you have any questions, please do not hesitate to contact me at the above telephone and facsimile numbers.

Very truly yours,

/s/ Jeffrey M. Gallant

Jeffrey M. Gallant

cc: Mark D. Klein  
Bruce S. Mendelsohn  
Salvatore Giardina