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**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

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**FORM 8-K**

**CURRENT REPORT**

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

Date of Report (Date of earliest event reported) September 11, 2006

**LADENBURG THALMANN FINANCIAL SERVICES INC.**

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(Exact Name of Registrant as Specified in Charter)

Florida

(State or Other Jurisdiction  
of Incorporation)

1-15799

(Commission File  
Number)

65-0701248

(IRS Employer  
Identification No.)

153 East 53<sup>rd</sup> Street, New York, New York

(Address of Principal Executive Offices)

10022

(Zip Code)

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

Not Applicable

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

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

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

On September 11, 2006, Ladenburg Thalmann Financial Services Inc. (the “Company”) issued to BroadWall Capital LLC (“BroadWall”) ten-year warrants (“Warrants”) to purchase 1,500,000 shares of common stock of the Company at an exercise price of \$0.94 per share in connection with the acquisition by Ladenburg Thalmann & Co. Inc. (“Ladenburg”), the Company’s principal operating subsidiary, of a majority of BroadWall’s securities brokerage accounts and registered representatives and employees. The Warrants will be exercisable as to 150,000 shares immediately and as to 337,500 shares on each of September 11, 2007, 2008, 2009 and 2010. In connection with the transaction, Ladenburg engaged several employees of BroadWall to continue as employees of Ladenburg. The Company granted to such individuals ten-year options (“Options”) to purchase an aggregate of 1,500,000 shares of the Company’s common stock exercisable at \$1.05 per share. The Options will vest as to 10% of the shares immediately and as to 22.5% of the shares on each of September 11, 2007, 2008, 2009 and 2010.

The Company has agreed to register for re-sale the shares underlying the Warrants and the Options by December 11, 2006.

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

**Item 9.01 Financial Statements and Exhibits.**

(c) Exhibits.

- 10.1 Warrant issued to BroadWall Capital LLC
- 10.2 Form of Stock Option Agreement issued to employees of BroadWall
- 99.1 Press release dated September 11, 2006

SIGNATURE

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

Date: September 12, 2006

LADENBURG THALMANN FINANCIAL SERVICES  
INC.

By: /s/ Diane Chillemi

Name: Diane Chillemi

Title: Vice President and Chief Financial Officer



**THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY OTHER APPLICABLE SECURITIES LAWS, AND ARE RESTRICTED SECURITIES AS THAT TERM IS DEFINED UNDER RULE 144 PROMULGATED UNDER THE ACT. THESE SECURITIES MAY NOT BE SOLD, PLEDGED, TRANSFERRED, DISTRIBUTED OR OTHERWISE DISPOSED OF IN ANY MANNER UNLESS THEY ARE REGISTERED UNDER THE ACT AND ANY APPLICABLE SECURITIES LAWS, OR UNLESS THE REQUEST FOR TRANSFER IS ACCOMPANIED BY AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY, STATING THAT SUCH TRANSFER IS EXEMPT FROM REGISTRATION UNDER THE ACT.**

**THE REGISTERED HOLDER OF THIS WARRANT, BY ITS ACCEPTANCE HEREOF,  
AGREES THAT IT WILL NOT SELL, TRANSFER OR ASSIGN  
THIS WARRANT EXCEPT AS HEREIN PROVIDED.**

**VOID AFTER 5:00 P.M. EASTERN TIME, SEPTEMBER 11, 2016**

**WARRANT**

**For the Purchase of**

**1,500,000 Shares of Common Stock**

**of**

**LADENBURG THALMANN FINANCIAL SERVICES INC.**

**1. Warrant.**

THIS CERTIFIES THAT, for good and valuable consideration, duly paid by or on behalf of BroadWall Capital LLC (“Holder”), as registered owner of this Warrant, to Ladenburg Thalmann Financial Services Inc. (“Company”), Holder is entitled, subject to the provisions of paragraph 2 hereof, at any time or from time to time at or after the date hereof (“Commencement Date”), and at or before 5:00 p.m., Eastern Time September 11, 2016 (“Expiration Date”), but not thereafter, to subscribe for, purchase and receive, in whole or in part, up to 1,500,000 shares of Common Stock of the Company (“Common Stock”). If the Expiration Date is a day on which banking institutions are authorized by law to close, then this Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. This Warrant is initially exercisable at \$0.94 per share of Common Stock purchased; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Warrant, including the exercise price and the number of shares of Common Stock to be received upon such exercise, shall be adjusted as therein specified. The term “Exercise Price” shall mean the initial exercise price or the adjusted exercise price, depending on the context, of a share of Common Stock. The term “Securities” shall mean the shares of Common Stock issuable upon exercise of this Warrant.

## 2. Exercise.

2.1 Vesting. This Warrant shall be exercisable as to 150,000 shares of Common Stock from and after the Commencement Date and as to an additional 337,500 shares of Common Stock on each of the first four anniversaries of the Commencement Date. Notwithstanding the foregoing (a) this Warrant shall not become exercisable with respect to any shares of Common Stock from and after the date the employment of both David Rosenberg and Adam Malamed is terminated either (i) by Ladenburg Thalmann & Co., Inc. (“Ladenburg”) for Cause (as defined in their respective employment letters) or (ii) by David Rosenberg and Adam Malamed without Good Reason (as defined in their respective employment letters); provided, however, that this Warrant shall remain exercisable after such termination of employment with respect to previously vested shares; and (b) this Warrant shall become immediately exercisable as to all the shares of Common Stock underlying this Warrant if (i) Ladenburg terminates the employment of David Rosenberg and Adam Malamed without Cause, (ii) David Rosenberg and Adam Malamed terminate their employment with Good Reason, (iii) both David Rosenberg and Adam Malamed die or become disabled (as such term is defined in the Company’s long-term disability plan), or (iv) there is a Change in Control of the Company.

For purposes of this Warrant, a “Change in Control” of the Company means the occurrence of one of the following events: (i) consummation of a reorganization, merger or consolidation, sale, disposition of all or substantially all of the assets or stock of the Company or any other similar corporate event (a “Business Combination”), in each case, unless, following such Business Combination, all or substantially all of the individuals or entities who were the beneficial owners, respectively, of the voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries); or (ii) approval by the board of directors of the Company of a complete dissolution or liquidation of the Company; or (iii) any “person” (as such term is defined in Section 3(a)(9) of the Securities Exchange Act of 1934 (the “Exchange Act”) and as used in Sections 13(d)(3) and 14(d)(2) of the Exchange Act), other than Dr. Phillip Frost, any member of his immediate family, and any “person” or “group” (as used in Section 13(d)(3) of the Exchange Act) that is controlled by Dr. Frost or any member of his immediate family, any beneficiary of the estate of Dr. Frost, or any trust, partnership, corporation or other entity controlled by any of the foregoing, is or becomes, after the Commencement Date, a “beneficial owner” (as defined in Rule 13d-3) under the Exchange Act), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company’s then outstanding securities eligible to vote for the election of the Board.

2.2 Exercise Form. In order to exercise this Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Warrant and payment of the Exercise Price for the Securities being purchased in cash (unless exercised on a “cashless basis,” as described below). If the subscription rights represented hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire. The Holder may exercise this Warrant on a “cashless basis” by surrendering the Warrant for that number of shares of Common Stock equal to the quotient obtained by dividing (x) the product of the number of shares of Common Stock underlying this Warrant, multiplied by the difference between the “Fair Market Value” (defined below) and the Warrant exercise price by (y) the Fair Market Value. The “Fair Market Value” shall mean the average reported last sale price of the Common Stock for the ten trading days ending on the third trading day prior to the date on which the Warrant is surrendered.

2.3 Issue Tax. The issuance of certificates for the shares of Common Stock underlying this warrant upon the exercise of this Warrant shall be made without charge to the Holder for any issue tax in respect thereof.

2.4 Legend. Each certificate for Securities purchased under this Warrant shall bear a legend as follows, unless such Securities have been registered under the Securities Act of 1933, as amended (“Act”):

“The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended (“Act”), or any other applicable securities laws, and are restricted securities as that term is defined under Rule 144 promulgated under the Act. These securities may not be sold, pledged, transferred, distributed or otherwise disposed of in any manner unless they are registered under the Act and any applicable securities laws, or unless the request for transfer is accompanied by an opinion of counsel, reasonably satisfactory to the Company, stating that such transfer is exempt from registration under the Act.”

### 3. Transfer.

3.1 General Restrictions. The registered Holder of this Warrant, by its acceptance hereof, agrees that it will not sell, transfer or assign or hypothecate this Warrant to anyone except upon compliance with, or pursuant to exemptions from, applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with this Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall immediately transfer this Warrant on the books of the Company and shall execute and deliver a new Warrant or Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of shares of Common Stock purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

3.2 Restrictions Imposed by the Securities Act. This Warrant and the Securities underlying this Warrant shall not be transferred unless and until (i) the Company has received the opinion of counsel for the Holder that such securities may be sold pursuant to an exemption from registration under the Act, the availability of which is established to the reasonable satisfaction of the Company, or (ii) a registration statement relating to such Securities has been filed by the Company and declared effective by the Securities and Exchange Commission and compliance with applicable state law.

### 4. New Warrants to be Issued.

4.1 Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Warrant for cancellation, together with the duly executed exercise or assignment form and funds (or conversion equivalent) sufficient to pay any Exercise Price and/or transfer tax, the Company shall cause to be delivered to the Holder without charge a new Warrant of like tenor to this Warrant in the name of the Holder evidencing the right of the Holder to purchase the aggregate number of shares of Common Stock and Warrants purchasable hereunder as to which this Warrant has not been exercised or assigned.

4.2 Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, destruction or mutilation of this Warrant and of reasonably satisfactory indemnification, the Company shall execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

5. Registration Rights. The Company has agreed to file a registration statement with the Commission to include the shares of Common Stock purchasable under this Warrant on a registration statement pursuant to an Agreement, dated as of August 1, 2006, among the Company, Ladenburg and the original Holder of this Warrant. These registration rights shall inure to the benefit of any former member of the original Holder of this Warrant. Notwithstanding the foregoing, in no event will the Company be required to pay the Holder any

cash or other consideration or otherwise net cash settle the exercise of the Warrant in the event that the registration statement relating to the shares of Common Stock purchasable under this Warrant has not yet been declared effective by the Securities and Exchange Commission; provided that this shall not in any way affect Holder's rights under Section 2.2 hereof to exercise on a "cashless basis."

## 6. Adjustments

6.1 Adjustments to Exercise Price and Number of Securities. The Exercise Price and the number of shares of Common Stock underlying this Warrant shall be subject to adjustment from time to time as hereinafter set forth:

6.1.1 Stock Dividends — Recapitalization, Reclassification, Split-Ups. If, after the date hereof, and subject to the provisions of Section 6.2 below, the number of outstanding shares of Common Stock is increased by a stock dividend on the Common Stock payable in shares of Common Stock or by a split-up, recapitalization or reclassification of shares of Common Stock or other similar event, then, on the effective date thereof, the number of shares of Common Stock issuable on exercise of this Warrant shall be increased in proportion to such increase in outstanding shares.

6.1.2 Aggregation of Shares. If after the date hereof, and subject to the provisions of Section 6.2, the number of outstanding shares of Common Stock is decreased by a consolidation, combination or reclassification of shares of Common Stock or other similar event, then, upon the effective date thereof, the number of shares of Common Stock issuable on exercise of this Warrant shall be decreased in proportion to such decrease in outstanding shares.

6.1.3 Adjustments in Exercise Price. Whenever the number of shares of Common Stock purchasable upon the exercise of this Warrant is adjusted, as provided in this Section 6.1, the Exercise Price shall be adjusted (to the nearest cent) by multiplying such Exercise Price immediately prior to such adjustment by a fraction (x) the numerator of which shall be the number of shares of Common Stock purchasable upon the exercise of this Warrant immediately prior to such adjustment, and (y) the denominator of which shall be the number of shares of Common Stock so purchasable immediately thereafter.

6.1.4 Replacement of Securities upon Reorganization, etc. In case of any reclassification or reorganization of the outstanding shares of Common Stock other than a change covered by Section 6.1.1 or 6.1.2 hereof or which solely affects the par value of such shares of Common Stock, or in the case of any merger or consolidation of the Company with or into another corporation (other than a consolidation or merger in which the Company is the continuing corporation and which does not result in any reclassification or reorganization of the outstanding shares of Common Stock), or in the case of any sale or conveyance to another corporation or entity of the property of the Company as an entirety or substantially as an entirety in connection with which the Company is dissolved, the Holder of this Warrant shall have the right thereafter (until the expiration of the right of exercise of this Warrant) to receive upon the exercise hereof, for the same aggregate Exercise Price payable hereunder immediately prior to such event, the kind and amount of shares of stock or other securities or property (including cash) receivable upon such reclassification, reorganization, merger or consolidation, or upon a dissolution following any such sale or other transfer, by a Holder of the number of shares of Common Stock of the Company obtainable upon exercise of this Warrant immediately prior to such event; and if any reclassification also results in a change in shares of Common Stock covered by Sections 6.1.1 or 6.1.2, then such adjustment shall be made pursuant to Sections 6.1.1, 6.1.2, 6.1.3 and this Section 6.1.4. The provisions of this Section 6.1.4 shall similarly apply to successive reclassifications, reorganizations, mergers or consolidations, sales or other transfers.

6.1.5 Changes in Form of Warrant. This form of Warrant need not be changed because of any change pursuant to this Section, and Warrants issued after such change may state the same Exercise Price

and the same number of shares of Common Stock and Warrants as are stated in the Warrants initially issued pursuant to this Agreement. The acceptance by any Holder of the issuance of new Warrants reflecting a required or permissive change shall not be deemed to waive any rights to a prior adjustment or the computation thereof.

6.2 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of shares of Common Stock upon the exercise of this Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up to the nearest whole number of shares of Common Stock or other securities, properties or rights.

7. Reservation and Listing. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon exercise of this Warrant, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Warrants and payment of the Exercise Price therefor, all shares of Common Stock and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any shareholder. As long as the Warrants shall be outstanding, the Company shall use its best efforts to cause all shares of Common Stock issuable upon exercise of the Warrants to be listed (subject to official notice of issuance) on the American Stock Exchange and all other securities exchanges (or, if applicable on Nasdaq) on which the Common Stock is then listed and/or quoted.

8. Certain Notice Requirements.

8.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holders the right to vote or consent or as having any rights whatsoever as a shareholder of the Company. If, however, at any time prior to the expiration of the Warrants and their exercise, the Company shall give notice or make a mailing to its shareholders, then the Company shall simultaneously give such notice and make such mailing to the Holder.

8.2 Notice of Change in Exercise Price. The Company shall, promptly after an event requiring a change in the Exercise Price pursuant to Section 6 hereof, send notice to the Holders of such event and change ("Price Notice"). The Price Notice shall describe the event causing the change and the method of calculating same and shall be certified as being true and accurate by the Company's President and Chief Financial Officer.

8.3 Transmittal of Notices. All notices, requests, consents and other communications under this Warrant shall be in writing and shall be deemed to have been duly made on the date of delivery if delivered personally or sent by overnight courier, with acknowledgment of receipt by the party to which notice is given, or on the fifth day after mailing if mailed to the party to whom notice is to be given, postage prepaid and properly addressed as follows: (i) if to the registered Holder of this Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to its principal executive office.

9. Miscellaneous.

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

9.2 Entire Agreement. This Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

9.3 Binding Effect. This Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Warrant or any provisions herein contained.

9.4 Governing Law. This Warrant shall be governed by and construed and enforced in accordance with the law of the State of New York, without giving effect to conflict of laws.

9.5 Waiver, Etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer as of the 11<sup>th</sup> day of September, 2006.

LADENBURG THALMANN FINANCIAL SERVICES  
INC.

By: /s/ Diane Chillemi

Name: Diane Chillemi

Title: Vice President and Chief Financial Officer

Form to be used to exercise Warrant:

Ladenburg Thalmann Financial Services Inc.  
153 East 53rd Street  
New York, New York 10022

Date: \_\_\_\_\_, 20\_\_

The undersigned hereby elects irrevocably to exercise the within Warrant and to purchase \_\_\_\_\_ shares of Common Stock of Ladenburg Thalmann Financial Services Inc. and hereby makes payment of \$\_\_\_\_\_ (at the rate of \$\_\_\_\_\_ per share of Common Stock) in payment of the Exercise Price pursuant thereto. Please issue the Common Stock as to which this Warrant is exercised in accordance with the instructions given below.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature Guaranteed

**NOTICE:** The signature to this form must correspond with the name as written upon the face of the within Warrant in every particular without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

Form to be used to assign Warrant:

### ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Warrant):

FOR VALUE RECEIVED, \_\_\_\_\_ does hereby sell, assign and transfer unto \_\_\_\_\_ the right to purchase \_\_\_\_\_ shares of Common Stock of Ladenburg Thalmann Financial Services Inc. ("Company") evidenced by the within Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: \_\_\_\_\_, 20\_\_

\_\_\_\_\_  
Signature

**NOTICE: The signature to this form must correspond with the name as written upon the face of the within Warrant in every particular without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.**



## STOCK OPTION AGREEMENT

**AGREEMENT**, made as of September 11, 2006, by and between Ladenburg Thalmann Financial Services Inc., a Florida corporation (the "Company"), and \_\_\_\_\_ (the "Employee").

WHEREAS, on August 1, 2006 the Company's Board of Directors authorized the grant to the Employee of an option to purchase an aggregate of \_\_\_\_\_ shares of the authorized but unissued shares of the Company's common stock, par value \$0.0001 per share ("Common Stock"), conditioned upon the closing of the purchase by Ladenburg Thalmann & Co. Inc. of certain of the assets of BroadWall Capital LLC ("Asset Purchase") and upon the Employee's acceptance hereof upon the terms and conditions set forth in this Agreement; and

WHEREAS, the Asset Purchase has closed on the date hereof and Employee desires to acquire the option on the terms and conditions set forth in this Agreement.

IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants to the Employee the right and option ("Option") to purchase all or any part of an aggregate of \_\_\_\_\_ shares of Common Stock ("Option Shares") on the terms and conditions set forth herein.

2. Non-Incentive Stock Option. The Option represented hereby is not intended to be an Option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended ("Code").

3. Exercise Price. The exercise price ("Exercise Price") of the Option shall be \$1.05 per share, subject to adjustment as provided herein.

4. Exercisability. This Option shall become exercisable, subject to the terms and conditions of this Agreement, as follows: (i) the right to purchase \_\_\_\_\_ of the Option Shares shall be exercisable on and after September 11, 2006, (ii) the right to purchase an additional \_\_\_\_\_ of the Option Shares shall be exercisable on and after September 11, 2007, (iii) the right to purchase an additional \_\_\_\_\_ of the Option Shares shall be exercisable on and after September 11, 2008, (iv) the right to purchase an additional \_\_\_\_\_ of the Option Shares shall be exercisable on and after September 11, 2009, and (v) the right to purchase the

remaining \_\_\_\_\_ of the Option Shares shall be exercisable on and after September 11, 2010. After a portion of the Option becomes exercisable, it shall remain exercisable except as otherwise provided herein, until the close of business on September 11, 2016 (the "Exercise Period").

5. Effect of Termination of Employment.

5.1 Termination Due to Death. If Employee's employment by the Company terminates by reason of death, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by the legal representative of the estate or by the legatee of the Employee under the will of the Employee, for a period of one year from the date of such death or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately expire.

5.2 Termination Due to Disability. If Employee's employment by the Company terminates by reason of disability, the portion of the Option, if any, that was exercisable as of the date of disability may thereafter be exercised by the Employee or legal representative for a period of one year from the date of such termination or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of termination shall immediately expire.

5.3 Termination by the Company Without Cause. If Employee's employment is terminated by the Company without cause, then the portion of the Option which has vested by the date of termination of employment may be exercised for a period of 30 days from termination of employment or until the expiration of the Exercise Period, whichever is shorter. The portion of the Option, if any, not yet exercisable on the date of termination of employment shall immediately expire.

5.4 Other Termination.

5.4.1 If Employee's employment is terminated for any reason other than (i) death, (ii) disability or (iii) without cause by the Company, the Option, whether or not then exercisable, shall expire on the date of termination of employment.

5.4.2 In the event the Employee's employment is terminated for cause, the Company may require the Employee to return to the Company the economic benefit of any Option Shares purchased hereunder by the Employee within the six month period prior to the date of termination. In such

event, the Employee hereby agrees to remit to the Company, in cash, an amount equal to the difference between the “Fair Market Value” (on the date of termination) of the Option Shares so purchased by Employee (or the sales price of such Option Shares if the Option Shares were sold during such six month period) and the Exercise Price. “Fair Market Value” means, as of any given date: (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq Small Cap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the date of grant of an award hereunder, as reported by the exchange or Nasdaq, as the case may be; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price for the Common Stock on the last trading day preceding the date of grant of an award hereunder for which such quotations are reported by the OTC Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Compensation Committee (“Committee”) of the Company’s Board of Directors shall determine, in good faith.

6. Withholding Tax. Not later than the date as of which an amount first must be included in the gross income of the Employee for Federal income tax purposes with respect to the Option, the Employee shall pay to the Company (or other entity identified by the Company), or make arrangements satisfactory to the Company (or other entity identified by the Company) regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount (“Withholding Tax”). With the prior approval of the Company, in its sole discretion, withholding obligations may be settled with Common Stock, including Common Stock underlying the subject option, provided that any applicable requirements under Section 16 of the Securities Exchange Act of 1934 (“Exchange Act”) are satisfied so as to avoid liability thereunder. The obligations of the Company pursuant to this Agreement shall be conditioned upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any Withholding Taxes from any payment of any kind otherwise due to the Employee from the Company.

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

## 8. Method of Exercise.

8.1 Notice to the Company. The Option may be exercised in whole or in part by written notice in the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice and of the Withholding Taxes, if any.

8.2 Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to the Employee as soon as practicable after payment therefor.

## 8.3 Payment of Purchase Price.

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

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

8.3.3 Stock Payment. The Company, in its sole discretion, may allow Employee to use Common Stock of the Company owned by him to make any required payments by delivery of stock

certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Shares of Common Stock used for this purpose shall be valued at the Fair Market Value (as defined above).

8.3.4 Payment of Withholding Tax. Any required Withholding Tax may be paid in cash or with Common Stock in accordance with Sections 8.3.1 and 8.3.2, respectively, and Section 6.

8.3.5 Exchange Act Compliance. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of “recapture” under Section 16(b) of the Exchange Act; (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

9. Security Interest in Option Shares Collateralizing Obligations Owed to the Company. Notwithstanding anything in this Agreement to the contrary, the Employee hereby grants the Company a security interest in the Option Shares as follows: in the event that the Employee owes the Company any sum including without limitation amounts owed pursuant to a loan made by the Company to the Employee (“Amount Due”), the Company shall have a security interest in the Option Shares. The Employee hereby agrees to execute, promptly upon request by the Company, such instruments and to take such action as may be useful for the Company to perfect and/or exercise such security interest, and hereby irrevocably grants the Company the right to retain, in full or partial payment of the Amount Due, up to the following number of Option Shares upon any whole or partial exercise of the Option: a fraction, the numerator of which is the Amount Due, and the denominator of which is the Fair Market Value (as defined above) of the Company’s Common Stock as of the date of such exercise; provided that the fraction set forth in the preceding clause shall be rounded up to the nearest whole number. The security interest set forth herein shall be cumulative to all, and not in lieu of any, other remedies to available to the Company with respect to any Amount Due.

10. Nonassignability. The Option shall not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner, except by will or by the laws of descent and distribution in the event of the death of the Employee. Notwithstanding the foregoing, the Employee, with the approval of the Committee, may transfer the Option (i) (A) by gift, for no consideration, or (B) pursuant to a domestic relations order, in either case, to or for the benefit of the Employee’s Immediate Family (as defined below), or (ii) to an entity in which the Employee and/or members of the Employee’s Immediate Family own more than fifty percent of the voting interest, in exchange for an interest in that entity, provided that such transfer is being made for estate,

tax and/or personal planning purposes and will not have adverse tax consequences to the Company and subject to such limits as the Committee may establish and the execution of such documents as the Committee may require. In such event, the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer. The term "Immediate Family" shall mean any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law, including adoptive relationships, any person sharing the Employee's household (other than a tenant or employee), a trust in which these persons have more than fifty percent beneficial interest, and a foundation in which these persons (or the Employee) control the management of the assets.

11. Company Representations. The Company hereby represents and warrants to the Employee that:

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

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

12. Employee Representations. The Employee hereby represents and warrants to the Company that:

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

(2) he or she has received a copy of all reports and documents required to be filed by the Company with the Securities and Exchange Commission pursuant to the Exchange Act within the last 24 months and all reports issued by the Company to its shareholders;

(3) he or she understands that he or she is subject to the Company's Insider Trading Policy and has received a copy of such policy as of the date of this Agreement;

(4) he or she understands that he or she must bear the economic risk of the investment in the Option Shares, which cannot be sold by him unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder;

(5) in his or her position with the Company, he or she has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (2) above;

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

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

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

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of September 11, 2006, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

13. Restriction on Transfer of Option Shares.

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

13.2 Anything in this Agreement to the contrary notwithstanding, Employee hereby agrees that he shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him except

in accordance with Company's Insider Trading Policy regarding the sale and disposition of securities owned by employees and/or directors of the Company.

14. Miscellaneous.

14.1 Notices. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or sent by registered or certified mail, or by private courier to the parties at their respective addresses set forth herein, or to such other address as either shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered or mailed as provided herein.

14.2 Employee and Shareholder Rights. The Employee shall not have any of the rights of a shareholder with respect to the Option Shares until such shares have been issued after the due exercise of the Option. Nothing contained in this Agreement shall be deemed to confer upon Employee any right to continued employment with the Company or any subsidiary thereof, nor shall it interfere in any way with the right of the Company to terminate Employee in accordance with the provisions regarding such termination set forth in Employee's written employment agreement with the Company, or if there exists no such agreement, to terminate Employee at will.

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

14.4 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supercedes any and all prior agreements with respect to the Option. This Agreement may not be amended except by writing executed by the Employee and the Company.

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

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

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

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

Ladenburg Thalmann Financial Services Inc.

Address: 153 East 53<sup>rd</sup> Street  
New York, NY 10022

By: \_\_\_\_\_  
Diane Chillemi, Vice President and Chief  
Financial Officer

Employee:

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_

## FORM OF NOTICE OF EXERCISE OF OPTION

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DATE

Ladenburg Thalmann Financial Services Inc.  
153 East 53rd Street  
New York, New York 10022  
Attention: Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement ("Option Agreement") dated as of September 11, 2006 with Ladenburg Thalmann Financial Services Inc. (the "Company"), I hereby irrevocably elect to exercise the right to purchase \_\_\_\_\_ shares of the Company's common stock, par value \$.0001 per share ("Common Stock"), which are being purchased for investment and not resale.

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

a [personal check] [certified check] [bank check] payable to the order of the Company in the sum of \$\_\_\_\_\_;  
confirmation of wire transfer in the amount of \$\_\_\_\_\_;

with the consent of the Company, a certificate for \_\_\_\_\_ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Option Agreement) of \$\_\_\_\_\_; and/or

with the consent of the Company, through broker payment as provided in Section 8.3.2 (see broker letter attached).

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

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

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

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder;

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

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

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

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

(viii) My rights with respect to the Option Shares, in all respects, be subject to the terms and conditions of this Agreement; and

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

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

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of September 11, 2006, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Address)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
(Social Security Number)





**Exhibit 99.1**

## **NEWS**

### **FOR IMMEDIATE RELEASE**

Contact:

For Ladenburg

Paul Caminiti/Brandy Bergman/Carrie Bloom

Citigate Sard Verbinen

212/687 — 8080

### **LADENBURG THALMANN ACQUIRES THE ASSETS OF BROADWALL CAPITAL'S BROKER-DEALER BUSINESS**

**New York, NY, September 11, 2006** — Ladenburg Thalmann Financial Services, Inc. (AMEX: LTS) ("Ladenburg") announced today that it has acquired certain assets of BroadWall Capital LLC ("BroadWall"), a boutique broker-dealer located in New York City which caters to both institutional and private clients. David Rosenberg and Adam Malamed, the principals of BroadWall, will serve as Senior Vice Presidents of Ladenburg's broker-dealer subsidiary, Ladenburg Thalmann & Co. Inc., and will head the firm's retail business. They will be located in Ladenburg's new Miami, Florida office.

"We are very pleased to welcome David and Adam and their colleagues at BroadWall to Ladenburg," stated Dr. Phillip Frost, Chairman of Ladenburg. "David and Adam are seasoned executives with a track-record of managing and building retail and institutional brokerage businesses and we are confident that Ladenburg's retail business will benefit from their leadership."

Ladenburg has granted to Messrs. Rosenberg and Malamed along with Mark McLain, Brian Russo, John Riccio, David Riccio and Ross Barish, each brokers of BroadWall that are joining Ladenburg, options to purchase a total of 1,500,000 shares of its common stock at an exercise price of \$1.05 per share. The options, which expire on September 11, 2016, will vest as to 10% of the shares on the date of grant and as to an additional 22.5% of the shares in four annual installments commencing on September 11, 2007.

### **About Ladenburg Thalmann**

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

### **Forward Looking Statements**

This press release includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from those expressed or implied by the statements herein due to changes in economic, business, competitive and/or regulatory factors, and other risks and uncertainties affecting the operation of the business of the Company. These risks, uncertainties and contingencies include those set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2005, its quarterly report for the period ended June 30, 2006 and other factors detailed from time to time in its other filings with the Securities and

Exchange Commission. The information set forth herein should be read in light of such risks. The Company is under no obligation to, and expressly disclaims any obligation to, update or alter its forward-looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

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