UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

# FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 7, 2018

# Ladenburg Thalmann Financial Services Inc.

(Exact name of registrant as specified in its charter)

| Florida | 001-15799 | 650701248 |
| --- | --- | --- |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

| 4400 Biscayne Boulevard, 12th Floor, Miami, Florida | 33137 |
| --- | --- |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: (305) 572-4100

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:

☐ 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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933(§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Item 2.02. Results of Operations and Financial Condition.**

On November 7, 2018, Ladenburg Thalmann Financial Services Inc. (the "Company") issued a press release announcing financial results for the three and nine month periods ended September 30, 2018. A copy of the press release is attached hereto as Exhibit 99.1.

The information included in this Item 2.02 and in Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 ("Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

| Exhibit No. | Description |
|---|---|
| 99.1 | Press release dated November 7, 2018 |

**SIGNATURES**

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.

Ladenburg Thalmann Financial Services Inc.

Date: November 7, 2018

*By:* *_/s/ Brett H. Kaufman_*
*Name:* *Brett H. Kaufman*
*Title:* *Senior Vice President and Chief Financial Officer*

LADENBURG THALMANN

ESTABLISHED 1876

# LADENBURG REPORTS
# THIRD QUARTER 2018 FINANCIAL RESULTS

**Highlights:**

- Third quarter 2018 revenues of $348.9 million, up 8.2% compared to prior year
- Nine month 2018 revenues of $1.036 billion, up 12.1% compared to prior year
- Third quarter 2018 net income of $9.4 million and EBITDA, as adjusted, of $25.3 million
- Nine month 2018 net income of $24.2 million and EBITDA, as adjusted of $71.3 million
- Record client assets of $175.5 billion at September 30, 2018, including advisory assets under management of $80.1 billion
- Recurring revenue of 78.1% for the trailing 12 months ended September 30, 2018 in independent advisory and brokerage services segment
- Increased common stock dividend by 25.0% and repurchased 1.7 million common shares during third quarter 2018
- Shareholders' equity of $386.3 million at September 30, 2018

**MIAMI, FL, November 7, 2018** -- Ladenburg Thalmann Financial Services Inc. (NYSE American: LTS, LTS PrA, LTSL, LTSF, LTSK) today announced financial results for the three and nine months ended September 30, 2018.

Richard Lampen, Chairman, President and CEO of Ladenburg, said, "We are very pleased to report another quarter with continued robust growth in client assets as well as revenues and profitability. During the third quarter 2018, solid execution by our management team, together with stable equity markets and the increasing interest rate environment, contributed to our strong performance. We remain focused on continuing our consistent growth with the support of our $386.3 million of shareholders' equity and $262.8 million of cash and cash equivalents and, as appropriate, returning capital to our shareholders. During the recent quarter we increased the cash dividend on our common stock and accelerated our share repurchase program."

Adam Malamed, Executive Vice President and Chief Operating Officer of Ladenburg, said, “All segments of our businesses continued to perform well in the third quarter, with revenues of $348.9 million, an 8.2% increase from the prior year period, and a 51.9% increase in adjusted EBITDA, to $25.3 million. The continued growth of our nationwide network of approximately 4,300 independent financial advisors reflects our successful recruiting efforts of talented advisors over the past two years. Total client assets grew to a record $175.5 billion and advisory assets under management increased to a record $80.1 billion, up 14.9% and 21.0%, respectively, on a year-over-year basis. We will continue to focus on increasing shared services, growing recurring revenues and managing our operations more efficiently to further drive margin and profitability improvements across the enterprise while making strategic investments to help improve advisor experience and productivity.”

Adoption of New ASC 606 Accounting Standard

On January 1, 2018, the Company adopted FASB Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” and all related amendments ("ASC 606"). The Company believes it is important to include a presentation of its financial results on the most comparable basis practical. The Company's adoption of the new revenue standard has an impact on the timing of when revenues and related costs are recognized and impacts the gross vs. net reporting presentation of advisory and commissions revenues. The Company has adopted this standard under the modified retrospective method, which does not require a restatement of prior period results. In order to make the presentation of these financial results more comparable, the Company has included an adjustment to the results of 2018 to exclude the impact of the adoption of the new revenue standard so that such results are presented on the same revenue recognition methodology used by the Company prior to the adoption of the new revenue standard (see Tables 3 and 4). For the three months ended September 30, 2018, the impact of the new revenue standard was a decrease in total revenues of $32.2 million, a decrease in total expenses of $35.6 million, an increase in net income attributable to the Company of $2.5 million, and an increase in net income per basic and diluted common share of $0.01. For the nine months ended September 30, 2018, the impact of the new revenue standard was a decrease in total revenues of $90.5 million, a decrease in total expenses of $101.4 million, an increase in net income attributable to the Company of $8.2 million, and a decrease in net loss per basic and diluted common share of $0.04.

During the three and nine months ended September 30, 2018, the Company's net income as reported is greater than the net income amounts without the adoption of ASC 606 due to the following: 1) the timing of revenue recognized for commissions on future renewals of insurance policies sold is accelerated, as these future commissions represent variable consideration and are required to be estimated, 2) certain costs to obtain a contract with a customer are now capitalized and have historically been recorded as a period expense, and 3) forgivable loans to independent financial advisors are now amortized over the expected useful lives of their relationship period with the Company's subsidiaries; previously these loans were amortized based on their legal terms.

For the Three and Nine Months Ended September 30, 2018

Third quarter 2018 revenues were $348.9 million, an 8.2% increase from revenues of $322.3 million in the third quarter of 2017. Commissions revenue for the third quarter of 2018 increased by 30.9% to $172.1 million from $131.5 million for the comparable period in 2017, primarily due to increased sales of variable annuity, mutual fund, fixed annuity, insurance and equity products, and due to the impact of the adoption of ASC 606. Advisory fee revenue for the three months ended September 30, 2018 decreased by 15.1% to $124.6 million from $146.7 million for the comparable period in 2017, primarily due to the impact of the adoption of ASC 606. Investment banking revenue for the third quarter of 2018 decreased by 32.3% to $10.0 million from $14.7 million for the comparable period in 2017, due to a decrease in capital raising revenue and strategic advisory services. Also, service fees revenue for the third quarter of 2018 increased by 48.9% to $28.7 million from $19.3 million, primarily due to increased revenues from our cash sweep programs.

Net income attributable to the Company for the third quarter of 2018 was $9.4 million, as compared to net income attributable to the Company of $3.4 million in the third quarter of 2017. Net income available to common shareholders, after payment of preferred dividends, was $0.9 million or $0.00 per basic and diluted common share for the third quarter of 2018, as compared to net loss available to common shareholders of $4.8 million or ($0.02) per basic and diluted common share in the comparable 2017 period. The third quarter 2018 results included $3.2 million of income tax expense, $7.2 million of non-cash charges for depreciation, amortization and compensation, $0.1 million of amortization of retention and forgivable loans, $2.5 million of amortization of contract acquisition costs and $3.2 million of interest expense. The third quarter 2017 results included $1.3 million of income tax expense, $8.4 million of non-cash charges for depreciation, amortization and compensation, $1.8 million of amortization of retention and forgivable loans and $0.6 million of interest expense.

For the nine months ended September 30, 2018, the Company had revenues of $1.036 billion, a 12.1% increase from revenues of $924.1 million for the comparable 2017 period. Net income attributable to the Company for the nine months ended September 30, 2018 was $24.2 million, as compared to net income attributable to the Company of $1.1 million in the comparable 2017 period. Net loss available to common shareholders, after payment of preferred dividends, was $1.3 million or ($0.01) per basic and diluted common share for the nine months ended September 30, 2018, as compared to net loss available to common shareholders of $23.0 million or ($0.12) per basic and diluted common share in the comparable 2017 period. The results for the nine months ended September 30, 2018 included $10.0 million of income tax expense, $21.9 million of non-cash charges for depreciation, amortization and compensation, $0.3 million of amortization of retention and forgivable loans, $7.1 million of amortization of contract acquisition costs and $7.2 million of interest expense. The comparable 2017 results included $0.3 million of income tax expense, $26.0 million of non-cash charges for depreciation, amortization and compensation, $5.1 million of amortization of retention and forgivable loans and $1.6 million of interest expense.

Recurring Revenues

For the trailing twelve months ended September 30, 2018, recurring revenues, which consist of advisory fees, trailing commissions, cash sweep revenues and certain other fees, represented approximately 78.1% of revenues from the Company's independent advisory and brokerage services segment.

EBITDA, as adjusted

EBITDA, as adjusted, for the third quarter of 2018 was $25.3 million, an increase of 51.9% from $16.7 million in the comparable 2017 period. EBITDA, as adjusted, for the nine months ended September 30, 2018 was $71.3 million, an increase of 91.1% from $37.3 million for the prior year period. Attached hereto as Table 2 is a reconciliation of net income attributable to the Company as reported (see "Non-GAAP Financial Measures" below) to EBITDA, as adjusted. The increase in EBITDA, as adjusted, for the third quarter and the nine months of 2018 was primarily attributable to increases in our independent advisory and brokerage services segment as a result of increased revenue from our cash sweep programs and increased commissions revenue from mutual funds and variable annuities.

Client Assets

At September 30, 2018, total client assets under administration were $175.5 billion, a 14.9% increase from $152.8 billion at September 30, 2017. At September 30, 2018, client assets included cash balances of approximately $4.3 billion, including approximately $4.0 billion participating in our cash sweep programs.

Stock Repurchases

During the quarter ended September 30, 2018, the Company repurchased 1,724,113 shares of its common stock under its stock repurchase program at a cost of approximately $5.3 million, representing an average price per share of $3.08. Since the inception of its stock repurchase program in March 2007, the Company has repurchased over 29.3 million shares of its common stock at a total cost of approximately $65.0 million, including purchases outside its stock repurchase program, representing an average price per share of $2.22. As of September 30, 2018, the Company has the authority to repurchase an additional 5,668,057 shares under its current repurchase plan.

Non-GAAP Financial Measures

Earnings before interest, taxes, depreciation and amortization, or EBITDA, as adjusted for acquisition-related expense, amortization of retention and forgivable loans, amortization of contract acquisition costs, change in fair value of contingent consideration related to acquisitions, non-cash compensation expense, financial advisor recruiting expense and other expense, which includes loss on write-off of receivable from subtenant, excise and franchise tax expense, severance costs and compensation expense that may be paid in stock, is a key metric the Company uses in evaluating its financial performance. EBITDA, as adjusted, is considered a non-GAAP financial measure as defined by Regulation G promulgated by the SEC under the Securities Act of 1933, as amended. The Company considers EBITDA, as adjusted, important in evaluating its financial performance on a consistent basis across various periods. Due to the significance of non-cash and non-recurring items, EBITDA, as adjusted, enables the Company's Board of Directors and management to monitor and evaluate the business on a consistent basis. The Company uses EBITDA, as adjusted, as a primary measure, among others, to analyze and evaluate financial and strategic planning decisions regarding future operating investments and potential acquisitions. The Company believes that EBITDA, as adjusted, eliminates items that are not indicative of its core operating performance, such as amortization of retention and forgivable loans, amortization of contract acquisition costs and financial advisor recruiting expenses, or do not involve a cash outlay, such as stock-related compensation, which is expected to remain a key element in our long-term incentive compensation program. EBITDA, as adjusted, should be considered in addition to, rather than as a substitute for, income (loss) before income taxes, net income (loss) and cash flows provided by (used in) operating activities.

**About Ladenburg**

Ladenburg Thalmann Financial Services Inc. (NYSE American: LTS, LTS PrA, LTSL, LTSF, LTSK) is a publicly-traded diversified financial services company based in Miami, Florida. Ladenburg's subsidiaries include industry-leading independent advisory and brokerage (IAB) firms Securities America, Triad Advisors, Securities Service Network, Investacorp, and KMS Financial Services, as well as Premier Trust, Ladenburg Thalmann Asset Management, Highland Capital Brokerage, a leading independent life insurance brokerage company, Ladenburg Thalmann Annuity Insurance Services, a full-service annuity processing and marketing company, and Ladenburg Thalmann & Co. Inc., an investment bank which has been a member of the New York Stock Exchange for over 135 years. The Company is committed to investing in the growth of its subsidiaries while respecting and maintaining their individual business identities, cultures, and leadership. For more information, please visit www.ladenburg.com.

Contact: Emily Claffey / Benjamin Spicehandler
Sard Verbinnen & Co
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*This press release includes certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future financial performance, future growth, growth of our independent advisory and brokerage business, future levels of recurring revenue, future synergies, changes in interest rates, recruitment of financial advisors, future margins, future investments, future dividends and future repurchases of common stock. 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, including the SEC's proposed rules and interpretations concerning the standards of conduct for broker dealers and investment advisers when dealing with retail investors, future cash flows, a change in the Company's dividend policy by the Company's Board of Directors (which has the ability in its sole discretion to increase, decrease or eliminate entirely the Company's dividend at any time) and other risks and uncertainties affecting the operation of the Company's business. 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, 2017 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. Further, investors should keep in mind that the Company's quarterly revenue and profits can fluctuate materially depending on many factors, including the number, size and timing of completed offerings and other transactions. Accordingly, the Company's revenue and profits in any particular quarter may not be indicative of future results. 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, except as required by law.*

[Financial Tables Follow]

**TABLE 1**
**LADENBURG THALMANN FINANCIAL SERVICES INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Amounts in thousands, except share and per share amounts)**
**(Unaudited)**

| | Three Months Ended September 30, 2018 | Three Months Ended September 30, 2017 | % Change | Nine Months Ended September 30, 2018 | Nine Months Ended September 30, 2017 | % Change |
|---|---|---|---|---|---|---|
| **Revenues:** | | | | | | |
| Commissions | $ 172,108 | $ 131,467 | 30.9% | $ 515,775 | $ 394,492 | 30.7% |
| Advisory fees | 124,550 | 146,677 | (15.1)% | 361,571 | 408,322 | (11.4)% |
| Investment banking | 9,982 | 14,745 | (32.3)% | 38,201 | 34,121 | 12.0% |
| Principal transactions | 45 | 107 | (57.9)% | 445 | 685 | (35.0)% |
| Interest and dividends | 1,434 | 629 | 128.0% | 3,301 | 1,921 | 71.8% |
| Service fees | 28,702 | 19,277 | 48.9% | 81,189 | 58,169 | 39.6% |
| Other income | 12,054 | 9,407 | 28.1% | 35,533 | 26,426 | 34.5% |
| Total revenues | 348,875 | 322,309 | 8.2% | 1,036,015 | 924,136 | 12.1% |
| **Expenses:** | | | | | | |
| Commissions and fees | 249,672 | 235,020 | 6.2% | 735,388 | 679,843 | 8.2% |
| Compensation and benefits | 44,905 | 45,131 | (0.5)% | 140,727 | 125,131 | 12.5% |
| Non-cash compensation | 1,380 | 1,341 | 2.9% | 4,442 | 4,148 | 7.1% |
| Brokerage, communication and clearance fees | 3,734 | 4,173 | (10.5)% | 11,994 | 13,647 | (12.1)% |
| Rent and occupancy, net of sublease revenue | 2,566 | 2,305 | 11.3% | 7,446 | 7,165 | 3.9% |
| Professional services | 4,531 | 4,715 | (3.9)% | 14,860 | 12,609 | 17.9% |
| Interest | 3,206 | 601 | 433.4% | 7,226 | 1,599 | 351.9% |
| Depreciation and amortization | 5,845 | 7,104 | (17.7)% | 17,416 | 21,830 | (20.2)% |
| Acquisition-related expenses | — | 55 | (100.0)% | 913 | 320 | 185.3% |
| Amortization of retention and forgivable loans | 97 | 1,808 | (94.6)% | 280 | 5,070 | (94.5)% |
| Amortization of contract acquisition costs | 2,488 | — | nm | 7,059 | — | nm |
| Other | 17,740 | 15,396 | 15.2% | 53,922 | 51,534 | 4.6% |
| Total expenses | 336,164 | 317,649 | 5.8% | 1,001,673 | 922,896 | 8.5% |
| Income before item shown below | 12,711 | 4,660 | 172.8% | 34,342 | 1,240 | 2,669.5% |
| Change in fair value of contingent consideration | (54) | (3) | 1,700.0% | (165) | 86 | nm |
| Income before income taxes | 12,657 | 4,657 | 171.8% | 34,177 | 1,326 | 2,477.5% |
| Income tax expense | 3,207 | 1,255 | 155.5% | 9,953 | 278 | 3,480.2% |
| Net income | 9,450 | 3,402 | 177.8% | 24,224 | 1,048 | 2,211.5% |
| Net income (loss) attributable to noncontrolling interest | 13 | 3 | 333.3% | 22 | (5) | nm |
| Net income attributable to the Company | $ 9,437 | $ 3,399 | 177.6% | $ 24,202 | $ 1,053 | 2,198.4% |
| Dividends declared on preferred stock | (8,507) | (8,149) | 4.4% | (25,523) | (24,026) | 6.2% |
| Net Income (loss) available to common shareholders | $ 930 | $ (4,750) | nm | $ (1,321) | $ (22,973) | (94.2)% |
| Net income (loss) per common share available to common shareholders (basic) | $ 0.00 | $ (0.02) | (100.0)% | $ (0.01) | $ (0.12) | (91.7)% |
| Net income (loss) per common share available to common shareholders (diluted) | $ 0.00 | $ (0.02) | (100.0)% | $ (0.01) | $ (0.12) | (91.7)% |
| Weighted average common shares used in computation of per share data: | | | | | | |
| Basic | 196,381,910 | 192,912,643 | 1.8% | 196,281,283 | 192,498,380 | 2.0% |
| Diluted | 208,387,236 | 192,912,643 | 8.0% | 196,281,283 | 192,498,380 | 2.0% |

nm- not meaningful

**TABLE 2**
**LADENBURG THALMANN FINANCIAL SERVICES INC.**

The following table presents a reconciliation of net income attributable to the Company as reported to EBITDA, as adjusted for the periods ending September 30, 2018 and 2017:

| | Three months ended September 30 | | | Nine months ended September 30 | | |
|---|---|---|---|---|---|---|
| ***(Unaudited; amounts in thousands)*** | **2018** | **2017** | **% Change** | **2018** | **2017** | **% Change** |
| Total revenues | $ 348,875 | $ 322,309 | 8.2% | $ 1,036,015 | $ 924,136 | 12.1% |
| Total expenses | 336,164 | 317,649 | 5.8% | 1,001,673 | 922,896 | 8.5% |
| Income before income taxes | 12,657 | 4,657 | 171.8% | 34,177 | 1,326 | 2,477.5% |
| Net income attributable to the Company | 9,437 | 3,399 | 177.6% | 24,202 | 1,053 | 2,198.4% |
| | | | | | | |
| Reconciliation of net income attributable to the Company to EBITDA, as adjusted: | | | | | | |
| | | | | | | |
| Net income attributable to the Company | $ 9,437 | $ 3,399 | 177.6% | $ 24,202 | $ 1,053 | 2,198.4% |
| Less: | | | | | | |
| Interest income | (810) | (115) | 604.3% | (1,688) | (315) | 435.9% |
| Change in fair value of contingent consideration | 54 | 3 | 1,700.0% | 165 | (86) | nm |
| Add: | | | | | | |
| Interest expense | 3,206 | 601 | 433.4% | 7,226 | 1,599 | 351.9% |
| Income tax expense | 3,207 | 1,255 | 155.5% | 9,953 | 278 | 3,480.2% |
| Depreciation and amortization | 5,845 | 7,104 | (17.7)% | 17,416 | 21,830 | (20.2)% |
| Non-cash compensation expense | 1,380 | 1,341 | 2.9% | 4,442 | 4,148 | 7.1% |
| Amortization of retention and forgivable loans | 97 | 1,808 | (94.6)% | 280 | 5,070 | (94.5)% |
| Amortization of contract acquisition costs | 2,488 | — | nm | 7,059 | — | nm |
| Financial advisor recruiting expense | 115 | 744 | (84.5)% | 291 | 2,176 | (86.6)% |
| Acquisition-related expense | — | 55 | (100.0)% | 913 | 320 | 185.3% |
| Other [(1) (2)] | 290 | 467 | (37.9)% | 1,053 | 1,236 | (14.8)% |
| EBITDA, as adjusted | $ 25,309 | $ 16,662 | 51.9% | $ 71,312 | $ 37,309 | 91.1% |

(1) Includes severance costs of $0 and $174, excise and franchise tax expense of $164 and $486 and compensation expense that may be paid in stock of $126 and $393 for the three and nine months ended September 30, 2018.

(2) Includes severance costs of $212 and $406, excise and franchise tax expense of $149 and $435 and compensation expense that may be paid in stock of $109 and $411 for the three and nine months ended September 30, 2017.

nm- not meaningful

**TABLE 3**
**LADENBURG THALMANN FINANCIAL SERVICES**
**CONSOLIDATED STATEMENT OF OPERATIONS**
**(Amount in thousands, except share and per share amounts)**
**(Unaudited)**

| | Three Months Ended September 30, 2018 | | |
|---|---|---|---|
| | As Reported | Amounts without the adoption of ASC 606 | Effect of Change Higher/(Lower) |
| **Revenues:** | | | |
| Commissions | $ 172,108 | $ 152,795 | $ 19,313 |
| Advisory fees | 124,550 | 176,889 | (52,339) |
| Investment banking | 9,982 | 9,374 | 608 |
| Principal transactions | 45 | (145) | 190 |
| Interest and dividends | 1,434 | 1,434 | — |
| Service fees | 28,702 | 28,702 | — |
| Other income | 12,054 | 12,054 | — |
| Total revenues | 348,875 | 381,103 | (32,228) |
| **Expenses:** | | | |
| Commissions and fees | 249,672 | 283,056 | (33,384) |
| Compensation and benefits | 44,905 | 45,348 | (443) |
| Non-cash compensation | 1,380 | 1,380 | — |
| Brokerage, communication and clearance fees | 3,734 | 3,646 | 88 |
| Rent and occupancy, net of sublease revenue | 2,566 | 2,566 | — |
| Professional services | 4,531 | 4,045 | 486 |
| Interest | 3,206 | 3,204 | 2 |
| Depreciation and amortization | 5,845 | 7,159 | (1,314) |
| Acquisition-related expenses | — | — | — |
| Amortization of retention and forgivable loans | 97 | 3,595 | (3,498) |
| Amortization of contract acquisition costs | 2,488 | — | 2,488 |
| Other | 17,740 | 17,769 | (29) |
| Total expenses | 336,164 | 371,768 | (35,604) |
| Income before item shown below | 12,711 | 9,335 | 3,376 |
| Change in fair value of contingent consideration | (54) | (54) | — |
| Income before income taxes | 12,657 | 9,281 | 3,376 |
| Income tax expense | 3,207 | 2,335 | 872 |
| Net income | 9,450 | 6,946 | 2,504 |
| Net income attributable to noncontrolling interest | 13 | 13 | — |
| Net income attributable to the Company | $ 9,437 | $ 6,933 | $ 2,504 |
| Dividends declared on preferred stock | (8,507) | (8,507) | — |
| Net income (loss) available to common shareholders | $ 930 | $ (1,574) | $ 2,504 |
| Net income (loss) per common share available to common shareholders (basic) | $ 0.00 | $ (0.01) | $ 0.01 |
| Net income (loss) per common share available to common shareholders (diluted) | $ 0.00 | $ (0.01) | $ 0.01 |
| Weighted average common shares used in computation of per share data: | | | |
| Basic | 196,381,910 | 196,381,910 | — |
| Diluted | 208,387,236 | 196,381,910 | 12,005,326 |

**TABLE 4**
**LADENBURG THALMAN FINANCIAL SERVICES**
**CONSOLIDATED STATEMENT OF OPERATIONS**
**(Amounts in thousands, except share and per share amounts)**
**(Unaudited)**

| | Nine Months Ended September 30, 2018 | | |
|---|---|---|---|
| | **As Reported** | **Amounts without the adoption of ASC 606** | **Effect of Change Higher/(Lower)** |
| **Revenues:** | | | |
| Commissions | $ 515,775 | $ 456,409 | $ 59,366 |
| Advisory fees | 361,571 | 514,704 | (153,133) |
| Investment banking | 38,201 | 34,999 | 3,202 |
| Principal transactions | 445 | 337 | 108 |
| Interest and dividends | 3,301 | 3,295 | 6 |
| Service fees | 81,189 | 81,189 | — |
| Other income | 35,533 | 35,627 | (94) |
| Total revenues | 1,036,015 | 1,126,560 | (90,545) |
| **Expenses:** | | | |
| Commissions and fees | 735,388 | 830,792 | (95,404) |
| Compensation and benefits | 140,727 | 141,735 | (1,008) |
| Non-cash compensation | 4,442 | 4,442 | — |
| Brokerage, communication and clearance fees | 11,994 | 11,535 | 459 |
| Rent and occupancy, net of sublease revenue | 7,446 | 7,446 | — |
| Professional services | 14,860 | 13,341 | 1,519 |
| Interest | 7,226 | 7,212 | 14 |
| Depreciation and amortization | 17,416 | 21,357 | (3,941) |
| Acquisition-related expenses | 913 | 913 | — |
| Amortization of retention and forgivable loans | 280 | 10,195 | (9,915) |
| Amortization of contract acquisition costs | 7,059 | — | 7,059 |
| Other | 53,922 | 54,084 | (162) |
| Total expenses | 1,001,673 | 1,103,052 | (101,379) |
| Income before item shown below | 34,342 | 23,508 | 10,834 |
| Change in fair value of contingent consideration | (165) | (165) | — |
| Income before income taxes | 34,177 | 23,343 | 10,834 |
| Income tax expense | 9,953 | 7,295 | 2,658 |
| Net income | 24,224 | 16,048 | 8,176 |
| Net income attributable to noncontrolling interest | 22 | 22 | — |
| Net income attributable to the Company | $ 24,202 | $ 16,026 | $ 8,176 |
| Dividends declared on preferred stock | (25,523) | (25,523) | — |
| Net loss available to common shareholders | $ (1,321) | $ (9,497) | $ 8,176 |
| Net loss per common share available to common shareholders (basic) | $ (0.01) | $ (0.05) | $ 0.04 |
| Net loss per common share available to common shareholders (diluted) | $ (0.01) | $ (0.05) | $ 0.04 |
| Weighted average common shares used in computation of per share data: | | | |
| Basic | 196,281,283 | 196,281,283 | — |
| Diluted | 196,281,283 | 196,281,283 | — |