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

FORM 10-Q

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from _____ to ______

Commission File Number 001-15799

Ladenburg Thalmann Financial Services Inc.

(Exact name of registrant as specified in its charter)

Florida	**65-0701248**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
4400 Biscayne Boulevard, 12th Floor Miami, Florida	**33137**
(Address of principal executive offices)	*(Zip Code)*

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $.0001 per share	LTS	NYSE American
8.00% Series A Cumulative Redeemable Preferred Stock, Liquidation Preference $25.00 per share	LTS PrA	NYSE American
6.50% Senior Notes due 2027	LTSL	NYSE American
7% Senior Notes due 2028	LTSF	NYSE American
7.25% Senior Notes due 2028	LTSK	NYSE American
7.75% Senior Notes due 2029	LTSH	NYSE American

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes__X__ No___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	**[ ]**	**Accelerated filer**	**[x]**
Non-accelerated filer	**[ ]**	**Smaller reporting company**	**[ ]**
		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.

___

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ___ No X

As of August 5, 2019 there were 148,550,370 shares of the registrant's common stock outstanding.

LADENBURG THALMANN FINANCIAL SERVICES INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2019

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
Cash and cash equivalents	$ 239,780	$ 182,693
Securities owned, at fair value	4,820	10,923
Receivables from clearing brokers	35,049	24,068
Receivables from other broker-dealers	2,641	7,078
Notes receivable from financial advisors, net	6,055	5,809
Other receivables, net	70,480	68,942
Insurance trailing commissions receivable	65,370	64,300
Fixed assets, net	31,463	29,994
Right-of-use assets	33,396	—
Restricted cash	770	6,588
Intangible assets, net	65,825	73,064
Goodwill	126,079	126,079
Contract acquisition costs, net	85,754	80,726
Cash surrender value of life insurance	13,815	11,406
Income taxes receivable	—	2,156
Other assets	36,252	47,078
Total assets	$ 817,549	$ 740,904
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Securities sold, but not yet purchased, at fair value	$ 3,397	$ 2,575
Accrued compensation	25,800	39,264
Commissions and fees payable	105,673	105,306
Accounts payable and accrued liabilities	43,696	48,741
Deferred rent	—	2,956
Lease liabilities	36,395	—
Deferred income taxes	14,018	14,068
Deferred compensation liability	23,672	20,622
Accrued interest	1,792	123
Notes payable, net of unamortized discount of $6,045 and $6,372 in 2019 and 2018, respectively and net of debt issuance costs of $8,633 and $7,086 in 2019 and 2018, respectively.	316,416	254,072
Total liabilities	570,859	487,727
Commitments and contingencies (Note 10)		
SHAREHOLDERS' EQUITY:		
Preferred stock, $.0001 par value; authorized 50,000,000 shares: 8% Series A cumulative redeemable preferred stock; designated 23,844,916 shares in 2019 and 2018; shares issued and outstanding 17,401,282 in 2019 and 17,012,075 in 2018 (liquidation preference $435,032 and $425,302 in 2019 and 2018, respectively)	2	2
Common stock, $.0001 par value; authorized 1,000,000,000 shares in 2019 and 2018; shares issued and outstanding, 148,501,131 in 2019 and 146,535,796 in 2018	15	14
Additional paid-in capital	326,928	344,356
Accumulated deficit	(80,327)	(91,246)
Total shareholders' equity of the Company	246,618	253,126
Noncontrolling interest	72	51
Total shareholders' equity	246,690	253,177
Total liabilities and shareholders' equity	$ 817,549	$ 740,904

See accompanying notes.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	**2018**	**2019**	**2018**
Revenues:				
Commissions	$ 179,752	$ 180,381	$ 346,681	$ 343,667
Advisory fees	125,993	122,638	239,901	237,021
Investment banking	11,539	11,729	21,368	28,219
Principal transactions	601	233	1,529	400
Interest and dividends	1,328	1,080	2,544	1,867
Service fees	32,387	27,585	64,590	52,487
Other income	11,980	14,110	22,422	23,479
Total revenues	363,580	357,756	699,035	687,140
Expenses:				
Commissions and fees	255,148	254,405	489,450	485,716
Compensation and benefits	51,904	48,573	100,488	95,822
Non-cash compensation	1,444	1,568	2,938	3,062
Brokerage, communication and clearance fees	3,563	2,941	7,564	8,260
Rent and occupancy, net of sublease revenue	2,644	2,387	5,314	4,880
Professional services	5,269	5,311	9,704	10,329
Interest	5,573	2,154	10,622	4,020
Depreciation and amortization	5,906	5,762	11,811	11,571
Acquisition-related expenses	3	—	24	913
Amortization of retention and forgivable loans	109	107	252	183
Amortization of contract acquisition costs	2,874	2,361	5,651	4,571
Other	19,545	18,253	40,679	36,182
Total expenses	353,982	343,822	684,497	665,509
Income before item shown below	9,598	13,934	14,538	21,631
Change in fair value of contingent consideration	(85)	(50)	(197)	(111)
Income before income taxes	9,513	13,884	14,341	21,520
Income tax expense	2,005	4,574	3,401	6,746
Net income	7,508	9,310	10,940	14,774
Net income attributable to noncontrolling interest	20	8	21	9
Net income attributable to the Company	$ 7,488	$ 9,302	$ 10,919	$ 14,765
Dividends declared on preferred stock	(8,695)	(8,508)	(17,285)	(17,016)
Net (loss) income available to common shareholders	$ (1,207)	$ 794	$ (6,366)	$ (2,251)
Net (loss) income per common share available to common shareholders (basic)	$ (0.01)	$ 0.00	$ (0.04)	$ (0.01)
Net (loss) income per common share available to common shareholders (diluted)	$ (0.01)	$ 0.00	$ (0.04)	$ (0.01)
Weighted average common shares used in computation of per share data:				
Basic	143,444,079	196,557,837	143,377,919	196,230,136
Diluted	143,444,079	209,855,936	143,377,919	196,230,136

See accompanying notes.

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

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interest	Total
Balance - March 31, 2018	17,012,075	$ 2	200,517,787	$ 20	$ 510,409	$ (119,541)	$ 24	$ 390,914
Issuance of common stock under employee stock purchase plan	—	—	29,357	—	95	—	—	95
Exercise of stock options, net of 72,062 shares tendered in payment of exercise price	—	—	953,481	—	1,504	—	—	1,504
Stock-based compensation granted to advisory board, consultants and independent financial advisors	—	—	—	—	20	—	—	20
Stock-based compensation to employees	—	—	—	—	1,548	—	—	1,548
Issuance of restricted stock	—	—	260,000	—	—	—	—	—
Repurchase and retirement of common stock, including 7,898 restricted shares surrendered for tax withholdings and 9,478 shares tendered in payment of exercise price	—	—	(489,591)	—	(1,699)	—	—	(1,699)
Preferred stock issued, net of underwriting discount and expense of $52	—	—	—	—	(52)	—	—	(52)
Preferred stock dividends declared and paid	—	—	—	—	(8,508)	—	—	(8,508)
Common stock dividends declared and paid	—	—	—	—	(1,969)	—	—	(1,969)
Net income	—	—	—	—	—	9,302	8	9,310
Balance - June 30, 2018	17,012,075	$ 2	201,271,034	$ 20	$ 501,348	$ (110,239)	$ 32	$ 391,163
Balance - March 31, 2019	17,299,305	$ 2	148,746,413	$ 15	$ 341,768	$ (87,815)	$ 52	$ 254,022
Issuance of common stock under employee stock purchase plan	—	—	29,534	—	96	—	—	96
Exercise of stock options, net of 543,850 shares tendered in payment of exercise price	—	—	2,034,860	—	869	—	—	869
Stock-based compensation granted to consultants and independent financial advisors	—	—	—	—	4	—	—	4
Stock-based compensation to employees	—	—	—	—	1,440	—	—	1,440
Issuance of restricted stock	—	—	460,000	—	—	—	—	—
Unvested restricted stock forfeitures	—	—	(82,500)	—	—	—	—	—
Repurchase and retirement of common stock, including 660,756 shares surrendered for tax withholdings and 12,673 shares tendered in exercise of options	—	—	(2,687,176)	—	(9,295)	—	—	(9,295)
Preferred stock issued, net of underwriting discount and expense of $15	101,977	—	—	—	2,534	—	—	2,534
Preferred stock dividends declared and paid	—	—	—	—	(8,695)	—	—	(8,695)
Common stock dividends declared and paid	—	—	—	—	(1,793)	—	—	(1,793)
Net income	—	—	—	—	—	7,488	20	7,508
Balance - June 30, 2019	17,401,282	$ 2	148,501,131	$ 15	$ 326,928	$ (80,327)	$ 72	$ 246,690

See accompanying notes.

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

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Noncontrolling Interest	Total
	Shares	Amount	Shares	Amount				
Balance - December 31, 2017	17,012,075	$ 2	198,583,941	$ 20	$ 520,135	$ (149,778)	$ 12	$ 370,391
Cumulative effect of adoption of ASC 606 (See Note 2)	—	—	—	—	—	24,774	11	24,785
Balance - January 1, 2018	17,012,075	2	198,583,941	20	520,135	(125,004)	23	395,176
Issuance of common stock under employee stock purchase plan	—	—	89,301	—	281	—	—	281
Exercise of stock options (net of 203,132 shares tendered in payment of exercise price)	—	—	1,507,080	—	2,332	—	—	2,332
Stock-based compensation granted to advisory board, consultants and independent financial advisors	—	—	—	—	27	—	—	27
Stock-based compensation to employees	—	—	—	—	3,035	—	—	3,035
Issuance of restricted stock	—	—	2,115,000	—	—	—	—	—
Repurchase and retirement of common stock, including 247,379 shares surrendered for tax withholdings and 19,294 shares tendered in payment of exercise price	—	—	(1,024,288)	—	(3,428)	—	—	(3,428)
Preferred stock issued, net of underwriting discount and expense of $89	—	—	—	—	(89)	—	—	(89)
Preferred stock dividends declared and paid	—	—	—	—	(17,016)	—	—	(17,016)
Common stock dividends declared and paid	—	—	—	—	(3,929)	—	—	(3,929)
Net income	—	—	—	—	—	14,765	9	14,774
Balance - June 30, 2018	17,012,075	$ 2	201,271,034	$ 20	$ 501,348	$ (110,239)	$ 32	$ 391,163
Balance - December 31, 2018	17,012,075	$ 2	146,535,796	$ 14	$ 344,356	$ (91,246)	$ 51	$ 253,177
Issuance of common stock under employee stock purchase plan	—	—	86,638	—	250	—	—	250
Exercise of stock options, net of 543,850 shares tendered in payment of exercise price	—	—	2,205,077	—	1,154	—	—	1,154
Stock-based compensation granted to consultants and independent financial advisors	—	—	—	—	15	—	—	15
Stock-based compensation to employees	—	—	—	—	2,923	—	—	2,923
Issuance of restricted stock	—	—	2,785,000	1	—	—	—	1
Unvested restricted stock forfeitures	—	—	(82,500)	—	—	—	—	—
Repurchase and retirement of common stock, including 1,002,460 shares surrendered for tax withholdings and 12,673 shares tendered in exercise of options	—	—	(3,028,880)	—	(10,347)	—	—	(10,347)
Preferred stock issued, net of underwriting discount and expense of $19	389,207	—	—	—	9,449	—	—	9,449
Preferred stock dividends declared and paid	—	—	—	—	(17,285)	—	—	(17,285)
Common stock dividends declared and paid	—	—	—	—	(3,587)	—	—	(3,587)
Net income	—	—	—	—	—	10,919	21	10,940
Balance - June 30, 2019	17,401,282	$ 2	148,501,131	$ 15	$ 326,928	$ (80,327)	$ 72	$ 246,690

See accompanying notes.

LADENBURG THALMANN FINANCIAL SERVICES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2019	**2018**
Cash flows from operating activities:		
Net income	$ 10,940	$ 14,774
Adjustments to reconcile net income to		
net cash provided by operating activities:		
Change in fair value of contingent consideration	197	111
Adjustment to deferred rent	—	621
Amortization of right-of-use assets	3,848	—
Amortization of intangible assets	7,241	7,670
Amortization of debt discount	533	226
Amortization of debt issue cost	190	215
Amortization of retention and forgivable loans	252	183
Amortization of contract acquisition costs	5,651	4,571
Depreciation and other amortization	4,507	3,901
Deferred income taxes	(50)	(45)
Non-cash compensation expense	2,938	3,062
Gain on forgiveness of accrued interest under forgivable loans	—	(79)
Gain on forgiveness of principal of note payable under forgivable loans	—	(2,143)
Loss on write-off of furniture, fixtures and leasehold improvements, net	2	18
(Increase) decrease in operating assets		
Securities owned, at fair value	6,103	(2,667)
Receivables from clearing brokers	(10,981)	3,530
Receivables from other broker-dealers	4,437	302
Other receivables, net	(1,538)	(9,826)
Insurance trailing commissions receivable	(1,070)	—
Contract acquisition costs, net	(10,679)	(20,203)
Notes receivable from financial advisors, net	(498)	727
Cash surrender value of life insurance	(2,409)	(196)
Income taxes receivable	2,156	—
Other assets	10,826	(2,894)
Increase (decrease) in operating liabilities		
Securities sold, but not yet purchased, at fair value	822	4,689
Accrued compensation	(13,464)	(5,815)
Accrued interest	1,669	38
Commissions and fees payable	367	8,578
Deferred compensation liability	3,050	1,838
Lease liabilities	(3,810)	—
Accounts payable and accrued liabilities	(5,063)	14,817
Net cash provided by operating activities	16,167	26,003
Cash flows from investing activities:		
Purchases of fixed assets	(6,153)	(6,605)
Net cash used in investing activities	(6,153)	(6,605)
Cash flows from financing activities:		
Issuance of Series A preferred stock	9,449	(89)
Issuance of common stock	1,404	2,613
Issuance of senior notes	55,557	45,936
Series A preferred stock dividends paid	(17,285)	(17,016)
Common stock dividends paid	(3,587)	(3,929)
Repurchase and retirement of common stock	(10,347)	(3,428)
Borrowings on term loan	7,000	—
Bank loan and revolver repayments	(788)	(1,346)
Principal payments on notes payable	(148)	(3,566)
Net cash provided by financing activities	41,255	19,175
Net increase in cash and cash equivalents	51,269	38,573

Cash and cash equivalents including restricted cash, beginning of period		189,281		172,863
Cash and equivalents at end of period:				
Cash and cash equivalents		239,780		204,847
Restricted cash		770		6,589
Cash and cash equivalents including restricted cash, end of period	$	240,550	$	211,436
Supplemental cash flow information:				
Interest paid	$	8,230	$	3,540
Taxes paid		351		275

See accompanying notes.

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

1. Description of Business and Basis of Presentation

Ladenburg Thalmann Financial Services Inc. (the “Company” or “LTS”) is a holding company. Its principal operating subsidiaries are Securities America, Triad Advisors (‘‘Triad’’), Investacorp, KMS Financial Services (“KMS”), Securities Service Network (“SSN”), Ladenburg Thalmann & Co. (‘‘Ladenburg’’), Ladenburg Thalmann Asset Management (‘‘LTAM’’), Premier Trust (‘‘Premier Trust’’) and Highland Capital Brokerage (“Highland”).

Securities America, Triad, Investacorp, KMS and SSN are registered investment advisors and broker-dealers that serve the independent financial advisor community. The independent financial advisors of these independent advisory and brokerage firms primarily serve retail clients. Such entities derive revenue from advisory fees and commissions, primarily from the sale of mutual funds, variable annuity products and other financial products and services.

Ladenburg is a full service registered broker-dealer that has been a member of the New York Stock Exchange since 1879. Broker-dealer activities include sales and trading and investment banking. Ladenburg provides its services principally to middle-market and emerging growth companies and high net worth individuals through a coordinated effort among corporate finance, capital markets, brokerage and trading professionals.

LTAM is a registered investment advisor. It offers various asset management products utilized by Ladenburg and Premier Trust’s clients, as well as clients of the Company's independent financial advisors.

Premier Trust, a Nevada trust company, provides wealth management services, including administration of personal trusts and retirement accounts, estate and financial planning and custody services.

Highland is an independent insurance broker that delivers life insurance, fixed and equity indexed annuities and long-term care solutions to investment and insurance providers. Highland provides specialized point-of-sale support along with advanced marketing and estate and business planning techniques, delivering customized insurance solutions to both institutional clients and independent producers. Highland also provides marketing strategies, product expertise, and back-office processing for fixed and equity-indexed annuities.

Securities America's, Triad's, Investacorp's, KMS's, SSN's and Ladenburg's customer transactions are cleared through clearing brokers on a fully-disclosed basis and such entities are subject to regulation by, among others, the Securities and Exchange Commission (“SEC”), the Financial Industry Regulatory Authority (“FINRA”) and the Municipal Securities Rulemaking Board. Each entity is a member of the Securities Investor Protection Corporation. Highland is subject to regulation by various regulatory bodies, including state attorneys general and insurance departments. Premier Trust is subject to regulation by the Nevada Department of Business and Industry Financial Institutions Division.

Basis of Presentation

The condensed consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, the interim data includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the periods presented. Because of the nature of the Company’s business, interim period results may not be indicative of full year or future results.

The unaudited condensed consolidated financial statements do not include all information and notes required in annual audited financial statements in conformity with GAAP. The statement of financial condition at December 31, 2018 has been derived from the audited financial statements at that date, but does not include all of the information and notes required by GAAP for complete financial statement presentation. Please refer to the notes to the audited consolidated financial statements included in the Company’s annual report on Form 10-K for the year ended December 31, 2018 for additional disclosures and a description of accounting policies.

Certain amounts in the prior period financial statements were reclassified to conform with the current period financial statement presentation.

New Accounting Standards Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which supersedes the existing guidance for lease accounting, Leases (Topic 840). ASU 2016-02 requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. The Company adopted the provisions of Topic 842 on January 1, 2019, using the modified retrospective approach and the option presented under ASU 2018-11 to transition only active leases as of January 1, 2019. All comparative periods prior to January 1, 2019 are not adjusted and continue to be reported in accordance with Topic 840.

The Company elected to utilize the transition package of practical expedients permitted within the new standard, which among other things, allowed the Company to carryforward the historical lease classification. The Company made an accounting policy election to keep leases with an initial term of 12 months or less off the Company’s Consolidated Statements of Financial Condition which resulted in recognizing those lease payments in the Consolidated Statements of Operations on a straight-line basis over the lease term. The Company did not elect the hindsight practical expedient when determining the lease terms.

Adoption of the new standard resulted in the recording of right-of-use assets and corresponding lease liabilities of$36,522 and $39,483, respectively, as of January 1, 2019. The difference between the right-of-use assets and the lease liabilities was recorded to eliminate existing deferred rent balances recorded under Topic 840. The adoption of the new standard did not materially impact the Company's Consolidated Statements of Operations and had no impact on the Company's Consolidated Statements of Cash Flows. The Company's current lease arrangements expire through 2030. See Note 4 for further information.

In June 2018, the FASB issued ASU 2018-07, Compensation - Stock Compensation: Improvements to Nonemployee Share-Based Payment Accounting, which simplifies the accounting for share-based payments granted to nonemployees by aligning the accounting with the requirements for employee share-based compensation. ASU 2018-07 is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. The adoption of ASU 2018-07 was effective January 1, 2019 and did not have any impact on the consolidated financial statements.

Accounting Standards Issued, But Not Yet Effective

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU amends the requirement on the measurement and recognition of expected credit losses for financial assets held. The ASU is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods. Early adoption is permitted, but not earlier than annual and interim periods beginning after December 15, 2018. This amendment should be applied on a modified retrospective basis with a cumulative effect adjustment to retained earnings as of the beginning of the period of adoption. The Company is in the process of assessing the impact of this ASU on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, an amendment to simplify the subsequent quantitative measurement of goodwill by eliminating step two from the goodwill impairment test. As amended, an entity will recognize an impairment charge for the amount by which the carrying amount of a reporting unit exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. An entity still has the option to perform the qualitative test for a reporting unit to determine if the quantitative impairment test is necessary. This amendment is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019 and applies prospectively. Early adoption is permitted, including in an interim period, for impairment tests performed after January 1, 2017. The Company has not elected to early adopt ASU 2017-04. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements. This ASU eliminates, adds and modifies certain disclosure requirements for fair value measurements.

The update eliminates the requirement to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, and introduces a requirement to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. This guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company plans to adopt this new accounting standard on January 1, 2020. Adoption is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

2. Revenue from Contracts with Customers

The Company adopted ASU 2014-09 and all related amendments ("ASC 606"), effective January 1, 2018, using the modified retrospective method by recognizing the cumulative effect of initially applying ASC 606 as an adjustment to the opening balance of shareholders' equity and other affected accounts at January 1, 2018. During the fourth quarter of 2018, the Company determined that the deferred tax liability recorded on adoption of ASC 606 with respect to Highland was overstated, and the Company made an additional retained earnings adjustment of $665 to correct this item as of January 1, 2018.

Performance Obligations

Revenue from contracts with customers is recognized when, or as, the Company satisfies its performance obligations by transferring promised goods or services to customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the Company determines the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for those promised goods or services. Revenues are also analyzed to determine whether the Company acts as the principal (i.e. reports revenue on a gross basis) or agent (i.e. reports revenue on a net basis) in the arrangement with the customer. Principal or agent designations depend primarily on the control an entity has over the product or service before control is transferred to a customer. The indicators of which party exercises control include primary responsibility over performance obligations, inventory risk before the good or service is transferred and discretion in establishing the price.

The following provides detailed information on the recognition of the Company's revenue from contracts with customers:

Broker-Dealer Commissions

The Company's broker-dealer subsidiaries earn commissions by executing client transactions in stocks, mutual funds, variable annuities and other financial products and services as well as from trailing commissions which are variable. Commissions revenue is recognized at the point of sale on the trade date when the performance obligation is satisfied. Commissions revenue is paid on settlement date, which is generally two business days after trade date for equities securities and corporate bond transactions and one business day for government securities and commodities transactions. The Company records a receivable on the trade date and receives a payment on settlement date. For trailing commissions, the performance obligation is satisfied at the time of the execution of the investments but the amount to be received for trailing commissions is uncertain, as it is dependent on the value of the investments at future points in time as well as the length of time the investor holds the investments, both of which are highly susceptible to variable factors outside the Company's influence. The Company does not believe that it can overcome this constraint until the market value of the investment and the investor activities are known, which are usually monthly or quarterly. The Company's Consolidated Statements of Operations reflects trailing commissions for services performed and performance obligations satisfied in previous periods and are recognized in the period that the constraint is overcome, when clients' investment holdings and their market values become known.

The Company's broker-dealer subsidiaries act as principal in satisfying the performance obligations that generate commissions revenue and maintain relationships with the product sponsors. The Company's independent financial advisors assist the Company in performing its obligations. Accordingly, broker-dealer commissions revenue are presented on a gross basis.

Insurance Commissions

The Company's performance obligation with respect to each contract with its customer, the insurance carriers, is the sale of the insurance policies to clients. Insurance commissions revenue is received from insurance carriers and includes an initial up-front (first year) commission as well as annual trailing commission payments for each policy renewal. Commissions on insurance renewal premiums are considered variable consideration.

ASC 606 requires that, at the time of the initial sale of a policy, the Company must estimate the variable consideration (future renewal commissions) and determine the transaction price as the undiscounted sum of expected future renewal commissions to be received from the insurance carriers.

Therefore, the transaction price includes the first-year fixed commission and the variable consideration for the trailing commissions, estimated using the expected value method and a portfolio approach. The Company also estimates a reduction of the transaction price for possible future chargebacks from the carriers. The Company acts as principal in its relationship with the insurance carriers and receives commissions revenue for the sale of insurance products for the insurance carriers. The Company's financial advisors assist the Company in performing its obligations and act as an agent for the Company. Accordingly, the Company presents the first-year and trailing commissions revenue on a gross basis when each policy is bound as an enforceable contract.

Advisory Fees

Advisory fee revenue represents fees charged by registered investment advisors ("RIAs") to their clients based upon the value of client assets under management ("AUM"). The Company records fees charged to clients as advisory fees where the Company considers itself to be the primary RIA. The Company determined that the primary RIA firm is the principal in providing advisory services to clients and will therefore recognize the corresponding advisory fee revenues on a gross basis when the advisory services are conducted using the Company's corporate RIA platform.

As a result, the portion of the advisory fees paid to the client's independent financial advisor are classified as commissions and fees expense in the consolidated statements of operations.

Certain independent financial advisors conduct their advisory business through their own RIA firm, rather than using one of the Company's corporate RIA subsidiaries. These independent entities, or Hybrid RIAs, engage the Company for clearing, regulatory and custody services, as well as for access to investment advisory platforms. The advisory fee revenue generated by these Hybrid RIAs is earned by the independent financial advisors, and is not included in the Company's advisory fee revenues. However, the Company charges separate fees to Hybrid RIAs for technology, custody and administrative services based on the AUM within the client's accounts. These fees are recognized on a net basis and classified as advisory fees in the consolidated statements of operations. Accordingly, reported advisory revenue growth may lag behind the overall growth rate of advisory assets.

Investment Banking

Investment banking revenues consist of underwriting revenue, strategic advisory revenue and private placement fees.

Underwriting
The performance obligation is the consummation of the sale of securities for each contract with a customer. The transaction price includes fixed management fees and is recognized as revenue when the performance obligation is satisfied, generally the trade date. Where Ladenburg is the lead underwriter, revenue and expenses are first allocated to other members of a syndicate because Ladenburg is acting as an agent for the syndicate. Accordingly, the Company records revenue on a net basis. When Ladenburg is not the lead underwriter, Ladenburg recognizes its share of revenue and expenses on a gross basis, because Ladenburg is acting as the principal.

Strategic Advisory Services
Performance obligations in these arrangements vary dependent on the contract, but are typically satisfied upon completion of the arrangement. Transaction fees may include retainer, management, and/or success fees, which are recognized upon completion of a deal.

Ladenburg controls the service as it is transferred to the customer, and is therefore acting as a principal. Accordingly, the Company records revenues and out-of-pocket reimbursements on a gross basis.

Private Placement
The performance obligation is the consummation of the sale of securities for each contract with a customer. The transaction price includes fixed management fees and is recognized as revenue when the performance obligation is satisfied, generally the trade date. Ladenburg controls the service as it is transferred to the customer, and is therefore acting as a principal. Accordingly, the Company records revenues and out-of-pocket reimbursements on a gross basis.

Service Fees

Service fees primarily include (1) amounts charged to independent financial advisors for securities trades and for providing administrative and compliance services; and (2) fees earned for arranging the cash sweep programs between the customers and the third-party banks, in which customers' cash deposits in their brokerage accounts at the customers' direction are swept into interest-bearing FDIC-insured deposit accounts at various third-party banks.

The service fees charged to independent financial advisors are recognized when the Company satisfies its performance obligations. Transaction revenues for the processing of securities trades are recognized at the point-in-time that a transaction is executed, which is generally the trade date. Fees charged to advisors for providing administrative and compliance services are either recognized at a point-in-time to over time depending on whether the service is provided at an identifiable point-in-time or if the service is provided continually over the the year. The cash sweep fees are earned and recognized over the period of the clients' participation in these programs.

Other Income

The Company receives fees from distributors of certain products sold by financial advisors affiliated with the Company's independent advisory and brokerage subsidiaries. These fees are for marketing support and sales force education and training efforts. Compensation for these performance obligations is generally calculated as a fixed fee, as a percentage of the average annual amount of product sponsor assets held in advisors' clients' accounts, as a percentage of new sales, or a combination. As the value of product sponsor assets held in advisor's clients' accounts is susceptible to unpredictable market changes, fees based on asset levels or sales include variable consideration and are constrained until the date that the fees are determinable. The Company is the principal in these arrangements as it is responsible for and determines the level of servicing and marketing support it provides to the product sponsors.

In addition, the Company's independent advisory and brokerage subsidiaries host certain advisor conferences that serve as training, education, sales, and marketing events, for which a fee may be charged for attendance to advisors and product sponsors. Recognition is at a point-in-time when the conference is held and the Company satisfies its performance obligations.

Disaggregation of Revenue

In the following table, revenue is disaggregated by service line and segment:

(Unaudited; Amounts in thousands, except share and per share amounts)

For the Three Months Ended June 30, 2019	Independent Advisory and Brokerage Services	Ladenburg	Insurance Brokerage	Corporate	Total
Commissions	$ 134,174	$ 2,584	$ 42,994	$ —	$ 179,752
Advisory fees	124,104	1,889	—	—	125,993
Investment banking	149	11,390	—	—	11,539
Principal transactions	19	612	—	(30)	601
Interest and dividends	645	251	—	432	1,328
Service fees	31,558	576	—	253	32,387
Other income	11,183	131	612	54	11,980
Total revenues	$ 301,832	$ 17,433	$ 43,606	$ 709	$ 363,580

For the Three Months Ended June 30, 2018	Independent Advisory and Brokerage Services	Ladenburg	Insurance Brokerage	Corporate	Total
Commissions	$ 140,360	$ 2,936	$ 37,085	$ —	$ 180,381
Advisory fees	120,690	1,892	—	56	122,638
Investment banking	313	12,085	—	(669)	11,729
Principal transactions	(4)	229	—	8	233
Interest and dividends	620	160	—	300	1,080
Service fees	26,772	619	—	194	27,585
Other income	10,720	199	840	2,351	14,110
Total revenues	$ 299,471	$ 18,120	$ 37,925	$ 2,240	$ 357,756

For the Six Months Ended June 30, 2019	Independent Brokerage and Advisory Services	Ladenburg	Insurance Brokerage	Corporate	Total
Commissions	$ 263,045	$ 5,074	$ 78,562	$ —	$ 346,681
Advisory fees	236,452	3,449	—	—	239,901
Investment banking	346	21,022	—	—	21,368
Principal transactions	12	1,640	—	(123)	1,529
Interest and dividends	1,314	526	—	704	2,544
Service fees	62,919	1,165	—	506	64,590
Other income	20,732	368	1,213	109	22,422
Total revenues	$ 584,820	$ 33,244	$ 79,775	$ 1,196	$ 699,035

(Unaudited; Amounts in thousands, except share and per share amounts)

For the Six Months Ended June 30, 2018	Independent Brokerage and Advisory Services	Ladenburg	Insurance Brokerage	Corporate	Total
Commissions	$ 270,105	$ 6,149	$ 67,413	$ —	$ 343,667
Advisory fees	233,203	3,708	—	110	237,021
Investment banking	429	28,459	—	(669)	28,219
Principal transactions	7	385	—	8	400
Interest and dividends	1,154	235	—	478	1,867
Service fees	50,912	1,187	—	388	52,487
Other income	19,190	311	1,572	2,406	23,479
Total revenues	$ 575,000	$ 40,434	$ 68,985	$ 2,721	$ 687,140

Contract Balances

For each of its insurance policies, the Company receives an initial up-front (first year) commission as well as annual trailing commission payments for each policy renewal. The Company will incur commission expenses related to the trailing commission payments for each policy renewal as well. The timing of revenue recognition, cash collections, and commission expense on the insurance policies results in contract assets and contract liabilities.

The following table provides information about contract assets and contract liabilities from contracts with customers. Estimated trailing commissions are included in insurance trailing commissions receivable, net while estimated expenses on trailing commissions are included in commissions and fees payable on the condensed consolidated statement of financial condition:

	As of June 30, 2019	As of December 31, 2018
Contract assets - Insurance trailing commissions	$ 65,370	$ 64,300
Contract liabilities - Insurance trailing commissions	32,166	31,854

Performance obligations related to insurance brokerage revenue are considered satisfied when the sale of the initial insurance policies are completed, including expected future trailing commissions due to the Company each year upon customer renewals of the policies sold. Upon receipt of the annual trailing commission, the Company pays a corresponding commission expense. Based on historical data, customer renewal periods are estimated at approximately eight years from the sale of the initial policy.

Increases to the contract asset were a result of$7,175 and $12,795 in estimated trailing commissions from new policies during the three and six months ended June 30, 2019, respectively, while decreases were driven by $5,523 and $11,725 in actual commissions received during the three and six months ended June 30, 2019, respectively. Increases to the contract liability were a result of $3,497 and $6,307 in estimated commission expense from new policies during the three and six months ended June 30, 2019, respectively, while decreases were driven by $2,841 and $5,995 in actual commissions paid during the three and six months ended June 30, 2019, respectively.

Costs to Obtain a Contract with a Customer

The Company capitalizes the incremental costs of obtaining a contract with a customer (independent financial advisor) if the costs (1) relate directly to an existing contract or anticipated contract, (2) generate or enhance resources that will be used to satisfy performance obligations in the future, and (3) are expected to be recovered.

These costs are included in contract acquisition costs, net in the condensed consolidated statements of financial condition and are amortized over the estimated customer relationship period.

The Company uses an amortization method that is consistent with the pattern of transfer of goods or services to its customers. Any costs that are not incremental costs of obtaining a contract with a customer, such as costs of onboarding, training and support of independent financial advisors, would not qualify for capitalization.

The Company pays fees to third-party recruiters and bonuses to employees for recruiting independent financial advisors, and thereby bring their customers' accounts to the Company, which generates ongoing advisory fee revenue, commissions revenue, and monthly service fee revenue to the Company.

An additional cost to obtain an independent financial advisor may include forgivable loans. Forgivable loans take many forms, but they are differentiated by the fact that at inception the loan is intended to be forgiven over time by the Company. The loans are given as an inducement to attract independent financial advisors to become affiliated with the Company's independent advisory and brokerage subsidiaries. Each of the Company's independent advisory and brokerage subsidiaries may offer new independent financial advisors a forgivable loan as part of his/her affiliation offer letter. These amounts are paid upfront and are capitalized, then amortized over the expected useful lives of the independent financial advisor's relationship period with the independent advisory and brokerage firm.

The balance of contract acquisition costs, net, was$85,754 as of June 30, 2019, an increase of$5,028 compared to December 31, 2018. Amortization on these contract acquisition costs was $5,651 during the six months ended June 30, 2019. There were no impairments or changes to underlying assumptions related to contract acquisition costs, net, for the period.

Transaction Price Allocated to Remaining Performance Obligation

Contract liabilities represent accrued commission expense associated with the accrued insurance trailing commission contract assets. The Company does not have any contract liabilities representing revenues that will be recognized in future periods upon the satisfaction of any remaining performance obligations.

3. Fair Value of Assets and Liabilities

Authoritative accounting guidance defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market or income approach are used to measure fair value.

The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three categories:

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 — Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company.

Level 3 — Unobservable inputs which reflect the assumptions that the Company develops based on available information about what market participants would use in valuing the asset or liability.

The following tables present the carrying values and estimated fair values at June 30, 2019 and December 31, 2018 of financial assets and liabilities, excluding financial instruments that are carried at fair value on a recurring basis, and information is provided on their classification within the fair value hierarchy. Such instruments are carried at amounts that approximate fair value due to their short-term nature and generally negligible credit risk.

(Unaudited; Amounts in thousands, except share and per share amounts)

	June 30, 2019			
Assets	**Carrying Value**	**Level 1**	**Level 2**	**Total Estimated Fair Value**
Cash and cash equivalents	$ 239,780	$ 239,780	$ —	$ 239,780
Receivables from clearing brokers	35,049	—	35,049	35,049
Receivables from other broker-dealers	2,641	—	2,641	2,641
Notes receivables, net (1)	6,055	—	6,055	6,055
Other receivables, net	70,480	—	70,480	70,480
Insurance trailing commissions receivable	65,370	—	65,370	65,370
	$ 419,375	**$ 239,780**	**$ 179,595**	**$ 419,375**
Liabilities				
Accrued compensation	$ 25,800	$ —	$ 25,800	$ 25,800
Commissions and fees payable	105,673	—	105,673	105,673
Accounts payable and accrued liabilities (2)	41,269	—	41,269	41,269
Accrued interest	1,792	—	1,792	1,792
Notes payable, net (3)	316,416	—	333,863	333,863
	$ 490,950	**$ —**	**$ 508,397**	**$ 508,397**

(1) Carrying value approximates fair value, which is determined based on a valuation technique to convert future cash payments or forgiveness transactions to a single discounted preset value amount.

(2) Excludes contingent consideration liabilities of $2,427.

(3) Estimated fair value based on then current rates at which similar amounts of debt could be borrowed.

(Unaudited; Amounts in thousands, except share and per share amounts)

	December 31, 2018			
Assets	**Carrying Value**	**Level 1**	**Level 2**	**Total Estimated Fair Value**
Cash and cash equivalents	$ 182,693	$ 182,693	$ —	$ 182,693
Receivables from clearing brokers	24,068	—	24,068	24,068
Receivables from other broker-dealers	7,078	—	7,078	7,078
Notes receivables, net (1)	5,809	—	5,809	5,809
Other receivables, net	68,942	—	68,942	68,942
Insurance trailing commissions receivable	64,300		64,300	64,300
	$ 352,890	**$ 182,693**	**$ 170,197**	**$ 352,890**
Liabilities				
Accrued compensation	$ 39,264	$ —	$ 39,264	$ 39,264
Commissions and fees payable	105,306	—	105,306	105,306
Accounts payable and accrued liabilities (2)	46,511	—	46,511	46,511
Accrued interest	123	—	123	123
Notes payable, net (3)	254,072	—	266,844	266,844
	$ 445,276	**$ —**	**$ 458,048**	**$ 458,048**

(1) Carrying value approximates fair value, which is determined based on a valuation technique to convert future cash payments or forgiveness transactions to a single discounted preset value amount.

(2) Excludes contingent consideration liabilities of $2,230.

(3) Estimated fair value based on then current rates at which similar amounts of debt could be borrowed.

The following tables present the financial assets and liabilities measured at fair value on a recurring basis at June 30, 2019 and December 31, 2018:

	June 30, 2019				
Assets	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total Estimated Fair Value**
Certificates of deposit	$ 223	$ 223	$ —	$ —	$ 223
Debt securities	1,463	—	1,463	—	1,463
U.S. treasury notes	809	—	809	—	809
Common stock and warrants	2,325	901	1,424	—	2,325
Total	**$ 4,820**	**$ 1,124**	**$ 3,696**	**$ —**	**$ 4,820**
Liabilities					
Contingent consideration payable	$ 2,427	$ —	$ —	$ 2,427	$ 2,427
Debt securities	318	—	318	—	318
Common stock and warrants	3,079	3,079	—	—	3,079
Total	**$ 5,824**	**$ 3,079**	**$ 318**	**$ 2,427**	**$ 5,824**

(Unaudited; Amounts in thousands, except share and per share amounts)

	December 31, 2018				
Assets	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total Estimated Fair Value**
Certificates of deposit	$ 426	$ 426	$ —	$ —	$ 426
Debt securities	1,447	—	1,447	—	1,447
U.S. treasury notes	794	—	794	—	794
Common stock and warrants	8,256	7,070	1,186	—	8,256
Total	**$ 10,923**	**$ 7,496**	**$ 3,427**	**$ —**	**$ 10,923**
Liabilities					
Contingent consideration payable	$ 2,230	$ —	$ —	$ 2,230	$ 2,230
Debt securities	196	—	196	—	196
Common stock and warrants	2,379	2,379	—	—	2,379
Total	**$ 4,805**	**$ 2,379**	**$ 196**	**$ 2,230**	**$ 4,805**

As of June 30, 2019 and December 31, 2018, approximately$3,416 and $9,763, respectively, of securities owned were deposited with clearing brokers and may be sold or hypothecated by the clearing brokers pursuant to clearing agreements with such clearing brokers. Securities sold, but not yet purchased, represents obligations of the Company's subsidiaries to purchase the specified financial instrument at the then current market price. Accordingly, these transactions result in off-balance-sheet risk as the Company's subsidiaries' ultimate obligation to repurchase such securities may exceed the amount recognized in the consolidated statements of financial condition.

Debt securities and U.S. Treasury notes are valued based on recently executed transactions, market price quotations, and pricing models that factor in, as applicable, interest rates and bond default risk spreads.

Warrants are carried at a discount to fair value as determined by using the Black-Scholes option pricing model due to illiquidity. This model takes into account the underlying securities' current market values, the underlying securities' market volatility, the terms of the warrants, exercise prices and risk-free return rate. As of June 30, 2019 and December 31, 2018, the fair values of the warrants were $1,337 and $1,052, respectively, and are included in common stock and warrants (Level 2) above.

From time to time, Ladenburg receives common stock as compensation for investment banking services. These securities are restricted under applicable securities laws and may be freely traded only upon the effectiveness of a registration statement covering them or upon the satisfaction of the requirements of Rule 144 of the Securities Act of 1933, as amended (the "Securities Act"), including the requisite holding period. Restricted common stock is classified as Level 2 securities.

Set forth below are changes in the carrying value of contingent consideration related to acquisitions, which is included in accounts payable and accrued liabilities:

(Unaudited; Amounts in thousands, except share and per share amounts)

Fair value of contingent consideration as of December 31, 2017	$	2,104
Payments		(1,353)
Change in fair value of contingent consideration		238
Fair value of contingent consideration in connection with KFG and FSFG acquisitions		1,241
Fair value of contingent consideration as of December 31, 2018	$	2,230
Change in fair value of contingent consideration		197
Fair value of contingent consideration as of June 30, 2019	$	2,427

4. Leases

The Company's lease agreements primarily cover office facilities and equipment and expire at various dates. The Company's leases are predominantly operating leases, which are included in right-of-use assets and lease liabilities on the Company's Condensed Consolidated Statements of Financial Condition. The Company's current lease arrangements expire from 2019 through 2030, some of which include options to extend or terminate the lease. However, the Company in general is not reasonably certain to exercise options to renew or terminate, and therefore renewal and termination options are not considered in the lease term or the right-of-use asset and lease liabilities balances.

The Company’s lease population does not include any residual value guarantees, and therefore none were considered in the calculation of the lease balances. The Company has leases with variable payments, most commonly in the form of common area maintenance charges which are based on actual costs incurred. These variable payments were excluded from the right-of-use asset and lease liability balances since they are not fixed or in-substance fixed payments. Leases with variable rate adjustments, such as Consumer Price Index (CPI) adjustments, were reflected based on contractual lease payments as outlined within the lease agreement and not adjusted for any CPI increases or decreases. We have lease agreements with lease and non-lease components. We have elected the practical expedient to account for lease and non-lease components as a single lease component.

For leases with terms greater than 12 months, right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. The discount rate used to determine the commencement date present value of lease payments is the interest rate implicit in the lease, or when that is not readily determinable, the Company utilizes its incremental borrowing rate. Our lease agreements generally do not provide a readily determinable implicit rate nor is it available to us from our lessors. Instead, we estimate the Company’s incremental borrowing rate based on information available at either the implementation date of Topic 842 or at lease commencement for leases entered into thereafter in determining the present value of future payments. Lease expense for net present value of payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less with purchase options or extension options that are not reasonably certain to be exercised are not recorded on the Condensed Consolidated Statements of Financial Condition; we recognize lease expense for these leases on a straight-line basis over the term of the lease.

Lease cost. The Company’s components of lease cost for the three and six months ended June 30, 2019 were as follows:

(Unaudited; Amounts in thousands, except share and per share amounts)

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease cost	$ 2,356	$ 4,760
Short-term lease cost	24	57
Variable lease cost	219	482
Amortization of finance lease assets	60	60
Interest on finance lease liabilities	4	4
Sublease income	(25)	(49)
Total lease cost	$ 2,638	$ 5,314

Lease commitments. The table below summarizes the Company's scheduled future minimum lease payments under operating and finance leases, recorded on the Condensed Consolidated Statements of Financial Condition as of June 30, 2019:

	Operating and Finance Leases
Remainder of 2019	$ 4,595
2020	7,965
2021	5,829
2022	5,132
2023	3,899
Thereafter	15,750
Total lease payments	43,170
Less imputed interest	(6,775)
Present value of lease payments	$ 36,395

As of June 30, 2019, we have additional operating leases, primarily for additional office space at Securities America, that have not yet commenced.

In connection with an office lease entered into in March 2016, Securities America has exercised an option to lease additional office space, which is under construction, for 12 years and would require the payment of an estimated average annual rent of $2,000, subject to certain adjustments. The Company currently expects that this lease would commence in 2020 upon completion of the construction. Such estimated rent amounts are not included in the total minimum lease payments above.

The table below presents additional information related to our leases as of June 30, 2019:

Weighted Average Remaining Lease Term:	
Operating leases	7.16 years
Weighted Average Discount Rate:	
Operating leases	4.37 %

Supplemental cash flow information. The table below presents supplemental cash flow information related to leases during the six months ended June 30, 2019:

(Unaudited; Amounts in thousands, except share and per share amounts)

		Six months ended June 30, 2019
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating and finance leases	$	5,391

Non-cash investing and financing activities. The Right-of-use assets obtained in exchange for lease obligations during the six months ended June 30, 2019 was:

		Six months ended June 30, 2019
Operating and finance leases	$	6,993

Subleases and lessor activity. The Company had rental income from subleasing activity during the period ended June 30, 2019 which was immaterial to the Company's consolidated financial statements.

5. Intangible Assets

At June 30, 2019 and December 31, 2018, intangible assets subject to amortization consisted of the following:

		June 30, 2019		December 31, 2018	
	Weighted-Average Estimated Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology	7.9	$ 25,563	$ 23,701	$ 25,563	$ 22,187
Relationships with financial advisors	14.3	126,121	64,814	126,122	59,584
Covenants not-to-compete	3.8	6,964	6,496	6,964	6,258
Trade names	7.7	16,919	14,731	16,916	14,472
Total		$ 175,567	$ 109,742	$ 175,565	$ 102,501

Aggregate amortization expense for the six months ended June 30, 2019 and 2018 amounted to$7,241 and $7,670, respectively. The weighted-average amortization period for total amortizable intangibles at June 30, 2019 is 9.86 years. As of June 30, 2019, the remaining estimated amortization expense for each of the five succeeding years and thereafter is as follows:

Remainder of 2019	$	5,829
2020		11,466
2021		6,628
2022		6,554
2023		6,217
2024 - 2036		29,131
	$	65,825

6. Notes Receivable from Financial Advisors

From time to time, the Company's subsidiaries may make loans to their financial advisors. The notes receivable balance is comprised of unsecured non-interest-bearing and interest-bearing loans (interest of up to 10.0%) to the financial advisors. These notes have various schedules for repayment or forgiveness and mature at various dates through 2026.

The notes are amortized over the forgiveness period, which generally ranges from3 to 5 years. Receivables are continually evaluated for collectability and possible write-offs and an allowance for doubtful accounts is provided where a loss is considered probable. As of June 30, 2019 and December 31, 2018, the allowance amounted to $1,599 and $1,528, respectively.

7. Net Capital Requirements

The Company's broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule 15c3-1, which requires the maintenance of minimum net capital. Each of Securities America, Triad, Investacorp, KMS, SSN and Ladenburg has elected to compute its net capital under the alternative method allowed by this rule, and at June 30, 2019, each, had a $250 minimum net capital requirement.

At June 30, 2019, Securities America had regulatory net capital of $14,488, Triad had regulatory net capital of $9,795, Investacorp had regulatory net capital of $9,561, KMS had regulatory net capital of $5,724, SSN had regulatory net capital of $6,219 and Ladenburg had regulatory net capital of $26,290.

Each of Securities America, Triad, Investacorp, KMS, SSN and Ladenburg claim exemptions from the provisions of the SEC's Rule 15c3-3 pursuant to paragraphs (k)(2)(i) and (k)(2)(ii) as they clear their customer transactions through correspondent brokers on a fully disclosed basis.

Premier Trust, chartered by the state of Nevada, is subject to regulation by the Nevada Department of Business and Industry Financial Institutions Division. Under Nevada law, Premier Trust must maintain minimum stockholders' equity of at least $1,000, including at least $250 in cash. At June 30, 2019, Premier Trust had stockholders' equity of $4,163, including at least $250 in cash.

8. Income Taxes

The Company's interim income tax provision or benefit consists of U.S. federal and state income taxes based on the estimated annual effective rate that the Company expects for the full year together with the tax effect of discrete items. Each quarter the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as necessary. As of June 30, 2019, the estimated annual effective tax rate for 2019 (exclusive of discrete items) is approximately 29.5% of projected pre-tax income. Our estimated annual tax expense consists of a provision for federal and state and local income taxes.

For the three and six months ended June 30, 2019, the Company recorded an income tax expense of $2,005 on pre-tax income of $9,513 and an income tax expense of $3,401 on a pre-tax income of $14,341. The estimated annual effective tax rate is higher than the statutory rate of 21% related primarily to state and local taxes and certain non-deductible expenses including meals and entertainment and IRC §162(m).

For the three and six months ended June 30, 2018, the Company recorded an income tax expense of $4,574 on a pre-tax income of $13,884 and an income tax expense of $6,746 on a pre-tax income of $21,520.

In assessing the realizability of deferred tax assets, we evaluate whether it is more likely than not that some portion or all of the deferred tax assets will be realized.The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible and/or net operating losses can be utilized.

(Unaudited; Amounts in thousands, except share and per share amounts)

We assess all positive and negative evidence when determining the amount of the net deferred tax assets that are more likely than not to be realized. This evidence includes, but is not limited to, prior earnings history, scheduled reversal of taxable temporary differences, tax planning strategies and projected future taxable income. Significant weight is given to positive and negative evidence that is objectively verifiable. As of June 30, 2019, the Company concluded that its deferred tax assets were realizable on a more-likely-than-not basis with the exception of certain separate company state net operating losses.

On January 1, 2018, the Company adopted ASC 606. Upon adoption, the Company recorded a net deferred tax liability of $3,600 with an offset to retained earnings.

9. Notes Payable

Notes payable consisted of the following:

	June 30, 2019	December 31, 2018
Note payable under subsidiary's term loan with bank	$ 6,277	$ —
Note payable under subsidiary's revolver with bank	24	89
Notes payable to Kestler Financial Group's former shareholders	5,295	5,399
Notes payable to Four Seasons Financial Group's former shareholders	320	364
6.5% Senior Notes, net of $63 and $67 of unamortized discount in 2019 and 2018, respectively	82,746	82,742
7% Senior Notes, net of $42 and $44 of unamortized discount in 2019 and 2018, respectively	42,477	42,475
7.25% Senior Notes	60,000	60,000
7.75% Senior Notes	57,500	—
7.25% December 2018 Notes, net of $5,940 and $6,261 of unamortized discount in 2019 and 2018, respectively	70,410	70,089
Less: Unamortized debt issuance costs	(8,633)	(7,086)
Total	$ 316,416	$ 254,072

The Company estimates that the fair value of notes payable was $333,863 at June 30, 2019 and $266,844 at December 31, 2018 based on then current interest rates at which similar amounts of debt could then be borrowed (Level 2 inputs). As of June 30, 2019, the Company was in compliance with all covenants in its debt agreements.

Senior Notes

On November 21, 2017, the Company sold $72,500 principal amount of its 6.5% senior notes due November 2027 ("6.5% Senior Notes") pursuant to an underwritten offering. Interest on the 6.5% Senior Notes accrues from November 21, 2017 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The Company may redeem the 6.5% Senior Notes in whole or in part on or after November 30, 2020, at its option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest. On December 12, 2017, the underwriters exercised their option to purchase an additional $4,069 principal amount of the 6.5% Senior Notes, which resulted in total gross proceeds of $76,569, before deducting the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $3,313, including $1,187 of brokerage commissions earned by employees of Ladenburg, which served as the lead underwriter in the offering. In connection with the offering of 6.5% Senior Notes, certain members of the Company's management and Board of Directors purchased $10,400 of the 6.5% Senior Notes offered by the Company. In February 2018, the Company entered into a note distribution agreement under which the Company may sell up to $25,000 principal amount of additional 6.5% Senior Notes from time to time in an "at the market" offering in accordance with Rule 415 under the Securities Act. Ladenburg is acting as the representative of the agents named in the note distribution agreement in the "at the market" offering and may receive commissions of up to 2% of gross sales. During 2018, the Company sold $6,240 principal amount of 6.5% Senior Notes pursuant to the "at the market" offering. The Company did not sell any 6.5% Senior Notes pursuant to the "at the market" offering during the six months ended June 30, 2019.

On May 22, 2018, the Company sold $40,000 principal amount of its 7% senior notes due May 2028 ("7% Senior Notes") pursuant to an underwritten offering. Interest on the 7% Senior Notes accrues from May 30, 2018 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The Company may redeem the 7% Senior Notes in whole or in part on or after May 31, 2021, at its option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest. On June 22, 2018, the underwriters exercised their option to purchase an additional $1,412 principal amount of the 7% Senior Notes, which resulted in total gross proceeds of $41,412, before deducting the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $2,020, including $464 of brokerage commissions earned by employees of Ladenburg, which served as the lead underwriter in the offering. In June 2018, the Company entered into a note distribution agreement under which the Company may sell up to $25,000 principal amount of additional 7% Senior Notes from time to time in an "at the market" offering. Ladenburg is acting as the representative of the agents named in the note distribution agreement in the "at the market" offering and may receive commissions of up to 2% of gross sales. During 2018, the Company sold $2,729 principal amount of 7% Senior Notes pursuant to the "at the market" offering. The Company did not sell any 7% Senior Notes pursuant to the "at the market" offering during the six months ended June 30, 2019. At June 30, 2019, Ladenburg held $1,622 of 7% Senior Notes, which are not included in notes payable.

On August 9, 2018, the Company sold $60,000 principal amount of its 7.25% senior notes due September 2028 ("7.25% Senior Notes") pursuant to an underwritten offering. Interest on the 7.25% Senior Notes accrues from August 16, 2018 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The Company may redeem the 7.25% Senior Notes in whole or in part on or after September 30, 2021 at its option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest. The offering resulted in total gross proceeds of $60,000, before deducting the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $2,135, including $120 of brokerage commissions earned by employees of Ladenburg, which served as one of the five underwriters in the offering.

On May 29, 2019, the Company sold $57,500 principal amount of its 7.75% senior notes due June 2029 ("7.75% Senior Notes") pursuant to an underwritten offering. Interest on the 7.75% Senior Notes accrues from May 29, 2019 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The Company may redeem the 7.75% Senior Notes in whole or in part on or after June 30, 2022 at its option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest. The offering resulted in total gross proceeds of $57,500, before deducting the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $1,967.

Promissory Note - KFG

On August 31, 2018, as part of the consideration paid for the acquisition of Kestler Financial Group ("KFG"), the Company issued a promissory note (the "KFG Note") to the former shareholders of KFG in the aggregate principal amount of $5,450, bearing interest at 4.00% per annum and payable in equal monthly installments beginning on September 15, 2018, with the final installment being due and payable on or before November 15, 2036. The KFG Note may be prepaid in full or in part at any time without premium or penalty. The KFG Note contains customary events of default, which if uncured, entitle the holder to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the KFG Note.

Promissory Note - FSFG

In November 2018, as part of the consideration paid for the acquisition of Four Seasons Financial Group ("FSFG"), Highland issued two promissory notes (the "FSFG Notes") to the former shareholders of FSFG in the aggregate principal amount of $372, one bearing interest at 3.99% per annum and payable in equal monthly installments beginning on November 1, 2018, with the final installment being due and payable on or before October 1, 2021 and the other bearing interest at 4.75% per annum and payable in equal monthly installments beginning on November 15, 2018, with the final installment being due and payable on or before January 15, 2024. The FSFG Notes may be prepaid in full or in part at any time without premium or penalty. The FSFG Notes contains customary events of default, which if uncured, entitle the holder to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the FSFG Notes.

Promissory Notes - December 2018 Notes

On December 24, 2018, the Company entered into an agreement (the "Repurchase Agreement") with its former principal shareholder, Phillip Frost, M.D., and an entity affiliated with Dr. Frost, Frost Nevada Investments Trust (together with Dr. Frost, the "Sellers"), pursuant to which the Company agreed to repurchase 50,900,000 shares of its common stock directly from the Sellers (the "Share Repurchase") in a private transaction at a price of $2.50 per share. The Company funded the Share Repurchase with $50,900 in cash on hand and by issuing $76,350 in aggregate principal amount of 7.25% Senior Notes due 2028 (the "December 2018 Notes") to the Sellers. Also, under the Repurchase Agreement, options to purchase 3,610,000 shares of the Common Stock held by Dr. Frost were cancelled in exchange for $3,000 in cash.

The December 2018 Notes are senior unsecured obligations of the Company and rank equally in right of payment with all of the Company's existing and future senior unsecured and unsubordinated indebtedness. The December 2018 Notes are effectively subordinated in right of payment to all of the Company's existing and future secured indebtedness and structurally subordinated to all existing and future indebtedness of the Company's subsidiaries. The December 2018 Notes bear interest from December 24, 2018 at the rate of 7.25% per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 2019, and at maturity. The December 2018 Notes mature on September 30, 2028.

The Company may, at its option, at any time and from time to time, on or after September 30, 2021, redeem the December 2018 Notes, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption. On and after any redemption date, interest will cease to accrue on the redeemed December 2018 Notes.

The December 2018 Notes contain exchange and resale registration rights that require the Company, at the written request of the note holders, to use commercially reasonable efforts to issue in exchange for the December 2018 Notes a new series of notes under our existing Indenture, dated as of November 21, 2017, as amended and supplemented from time to time, on substantially the same terms as the Company's outstanding publicly-traded 7.25% Senior Notes due 2028, which have substantially the same terms as the December 2018 Notes, effect the registration with the Securities and Exchange Commission of the resale and listing of the December 2018 Notes on the NYSE American, and assist in marketing the December 2018 Notes for resale. The Company has received such written request from the note holders regarding the exchange and resale registration rights.

Bank Loan - Securities America

On February 6, 2019, Securities America Financial Corporation entered into an amendment to its loan agreement with a third-party financial institution to provide for a term loan in the aggregate principal amount of $7,000, with interest accruing at the rate of 5.52%. Securities America began monthly payments of principal and interest under the term loan in the amount of $212 on March 6, 2019. The term loan matures on February 6, 2022. The loan is collateralized by Securities America's assets. The loan agreement contains certain affirmative and negative covenants, including covenants regarding Securities America's client asset levels and number of financial advisors. Total interest expense related to the term loan was $124 for the six months ended June 30, 2019. At June 30, 2019, $6,277 was outstanding under the term loan.

10. Commitments and Contingencies

Litigation and Regulatory Matters

In December 2014 and January 2015, two purported class action suits were filed in the U.S. District Court for the Southern District of New York against American Realty Capital Partners, Inc. ("ARCP"), certain affiliated entities and individuals, ARCP's auditing firm, and the underwriters of ARCP's May 2014 $1,656,000 common stock offering ("May 2014 Offering") and three prior note offerings. The complaints have been consolidated. Ladenburg was named as a defendant as one of 17 underwriters of the May 2014 Offering and as one of eight underwriters of ARCP's July 2013 offering of $300,000 in convertible notes.

The complaint alleges, among other things, that the offering materials were misleading based on financial reporting of expenses, improperly-calculated AFFO (adjusted funds from operations), and false and misleading Sarbanes-Oxley certifications, including statements as to ARCP's internal controls, and that the underwriters are liable for violations of federal securities laws. The plaintiffs seek an unspecified amount of compensatory damages, as well as other relief. In June 2016, the court denied the underwriters' motions to dismiss the complaint. In August 2017, the court granted the plaintiffs' motion for class certification. Trial in the case is scheduled to commence in January 2020. Ladenburg intends to vigorously defend against these claims.

In November 2015, two purported class action complaints were filed in state court in Tennessee against Miller Energy Resources, Inc. ("Miller"), officers, directors, auditors and nine firms that underwrote six securities offerings in 2013 and 2014, which offerings raised approximately $151,000. Ladenburg was one of the underwriters of two of the offerings. The complaints allege, among other things, that the offering materials were misleading based on the purportedly overstated valuation of certain assets, and that the underwriters are liable for violations of federal securities laws. The plaintiffs seek an unspecified amount of compensatory damages, as well as other relief. In December 2015 the defendants removed the complaints to the U.S. District Court for the Eastern District of Tennessee; in November 2016, the cases were consolidated. In August 2017, the court granted in part and denied in part the underwriters' motion to dismiss the complaint. The plaintiffs' motions for class certification and to remand the case to state court are pending. Ladenburg intends to vigorously defend against these claims.

In January 2016, an amended complaint was filed in the U.S. District Court for the Southern District of Texas against Plains All American Pipeline, L.P. and related entities as well as their officers and directors. The amended complaint added Ladenburg and other underwriters of securities offerings in 2013 and 2014 that in the aggregate raised approximately $2,900,000 as defendants to the purported class action. Ladenburg wasone of the underwriters of the October 2013 initial public offering. The complaint alleges, among other things, that the offering materials were misleading based on representations concerning the maintenance and integrity of the issuer's pipelines, and that the underwriters are liable for violations of federal securities laws. In April 2018, the court granted the defendants' motions to dismiss the second amended complaint with prejudice and entered final judgment for the defendants. In July 2019 the U.S. Court of Appeals for the Fifth Circuit affirmed the dismissal of the second amended complaint.

SEC examination reports provided to Triad and Securities America Advisors, Inc. in May and August 2016, respectively, asserted that the firms had acted inconsistently with their fiduciary duties (including the requirement to seek best execution) in recommending and selecting mutual fund share classes that paid 12b-1 fees where lower cost share classes also were available in those same funds. The SEC also asserted that the firms' disclosures of potential conflicts of interest and compensation related to the mutual fund share classes that paid 12b-1 fees were insufficient. Triad has revised its disclosures and completed restitution to its affected clients in 2016.

On April 6, 2018, the SEC issued an order against Securities America Advisors on consent that includes a cease and desist order and imposes remedial sanctions of disgorgement, prejudgment interest, and a fine; the combined total amount is $5,828, which had previously been reserved. In October 2018, Securities America Advisors received approval of its plan for distribution of the funds. Securities America Advisors is completing its distribution of the funds pursuant to the terms of the order.

In February 2018, the SEC announced a Share Class Selection Disclosure Initiative ("Initiative") to encourage registered investment advisory firms to self-report failures to disclose conflicts of interest to clients concerning the selection of mutual fund share classes that paid fees pursuant to Rule 12b-1 of the Investment Company Act of 1940 for the period 2014-2016. Under the Initiative, the SEC requires self-reporting firms, among other things, to disgorge to clients the 12b-1 fees received during the relevant period when lower-cost share classes were available. Three of the Company's investment advisory subsidiaries determined to self-report under the Initiative. On March 11, 2019, the SEC issued orders on consent against SSN Advisory, Inc. and Investacorp Advisory Services, Inc. that include cease and desist orders and impose remedial sanctions of disgorgement and prejudgment interest; the combined total amount is $2,149, which had previously been reserved. The matter was closed as to the third investment advisory subsidiary without formal action. SSN Advisory, Inc. and Investacorp Advisory Services, Inc. are awaiting approval of their plans for distribution of the funds, following which they will pay out the funds pursuant to the terms of the orders.

Two arbitration claims were filed against Securities America in June and September 2018, and one complaint was filed in the United States District Court for the Southern District of New York in February 2019, by a total of 14 customers asserting that a former registered representative of Securities America defrauded them through, among other things, the use of improper wire transfers and false account documents. The customers asserted, among other claims, claims for fraud, negligence, §10(b) violations, failure to supervise, respondeat superior, breach of fiduciary and other duties. In November and December 2018, settlements were reached resolving the two arbitration claims; the amounts paid in connection with those two claims were not material. Securities America has moved to compel arbitration of the complaint, which asserts a total of $18,000 in compensatory damages.

In the ordinary course of business, in addition to the above disclosed matters, the Company's subsidiaries are defendants in other litigation, arbitration and regulatory proceedings and may be subject to unasserted claims primarily in connection with their activities as securities broker-dealers or as a result of services provided in connection with securities offerings. Such litigation and claims may involve substantial or indeterminate amounts and are in varying stages of legal proceedings.

The Company had accrued liabilities in the amount of approximately $3,413 at June 30, 2019 and $9,869 at December 31, 2018 for certain pending matters which are included in accounts payable and accrued liabilities. Amounts accrued are based on judgment and currently available information and involve a variety of factors, including, but not limited to, the type and nature of the litigation, claim or proceeding, the progress of the matter, advice of counsel, available defenses, potential recoveries from other parties, experience in similar cases of proceedings, as well as assessment of matters, including settlements, involving other defendants in similar or related cases of proceedings. During the three and six months ended June 30, 2019, the Company charged $337 and $1,368, respectively, to operations with respect to such matters. For other pending matters, the Company was unable to estimate a range of possible loss; however, in the opinion of management, after consultation with counsel, the ultimate resolution of these matters is not expected to have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

11. Off-Balance-Sheet Risk and Concentration of Credit Risk

Securities America, Triad, Investacorp, KMS, SSN and Ladenburg do not carry accounts for customers or perform custodial functions related to customers' securities. They introduce all of their customer transactions, which are not reflected in these financial statements, to clearing brokers, which maintain cash and the customers' accounts and clear such transactions. Also, the clearing brokers provide the clearing and depository operations for proprietary securities transactions. These activities create exposure to off-balance-sheet risk in the event that customers do not fulfill their obligations to the clearing brokers, as each of Securities America, Triad, Investacorp, KMS, SSN and Ladenburg has agreed to indemnify such clearing brokers for any resulting losses. Each of such entities continually assesses risk associated with each customer who is on margin credit and records an estimated loss when management believes collection from the customer is unlikely.

The clearing operations for the Securities America, Triad, Investacorp, KMS, SSN and Ladenburg securities transactions are provided by two clearing brokers. At June 30, 2019, the amount due from these clearing brokers was $35,049, which represents a substantial concentration of credit risk should these clearing brokers be unable to fulfill their obligations.

In the normal course of business, Securities America, Triad, Investacorp, KMS, SSN and Ladenburg may enter into transactions in financial instruments with off-balance sheet risk. As of June 30, 2019, Securities America, Triad and Ladenburg sold securities that they do not own and will therefore be obligated to purchase such securities at a future date. These obligations have been recorded in the statements of financial condition at the market values of the related securities, and such entities will incur a loss if, at the time of purchase, the market value of the securities has increased since the applicable date of sale.

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

12. Shareholders' Equity

Repurchase Program

(Unaudited; Amounts in thousands, except share and per share amounts)

In March 2007, October 2011, November 2014, November 2016 and April 2019, the Company's board of directors authorized, in the aggregate, the repurchase of up to 37,500,000 shares of the Company's common stock from time to time on the open market or in privately negotiated transactions, depending on market conditions.

Since inception through June 30, 2019,27,070,492 shares of common stock have been repurchased for$72,668 under the program and have been retired, including the repurchase of 1,886,387 shares for $6,552 during the three and six months ended June 30, 2019. As of June 30, 2019,10,429,508 shares remained available for purchase under the program. In April 2019, our board of directors authorized the repurchase of up to an additional 10,000,000 shares of our common stock from time to time on the open market or in privately negotiated transactions depending on market conditions.

Stock Compensation Plans

As of June 30, 2019, there was$115 of unrecognized compensation cost for stock-based compensation related to options. This cost is expected to be recognized over the vesting periods of the options, which on a weighted-average basis is approximately 0.54 year for all grants.

Options were exercised to purchase 2,578,710 and 2,748,927 shares of the Company's common stock during the three and six months ended June 30, 2019, respectively, for which the intrinsic value on dates of exercise was $6,099 and $6,334, respectively.

Restricted stock granted during the six months ended June 30, 2019 was as follows:

Grant Date	Final Vesting Date	Shares	Fair Value (1)
January 10, 2019 (2)	January 10, 2023	2,295,000	$ 7,436
January 25, 2019 (3)	January 25, 2021	30,000	86
April 22, 2019 (2)	April 22, 2023	250,000	945
June 13, 2019 (3)	June 13, 2021	210,000	737
		2,785,000	$ 9,204

(1) Fair value is calculated using the closing price on the grant date.
(2) Vests in four equal annual installments beginning on the first anniversary of the grant date.
(3) Vests in two equal annual installments beginning on the first anniversary of the grant date.

During the three and six months ended June 30, 2019,82,500 shares of restricted stock were forfeited.

As of June 30, 2019, there was$13,845 of unrecognized compensation cost for stock-based compensation related to restricted stock grants, of which$8,050 related to the 2019 grants described above. This cost is expected to be recognized over the vesting periods of the restricted stock, which on a weighted-average basis are approximately 2.87 years for all grants and approximately 3.41 years for the 2019 grants.

Stock-based compensation, including options and restricted stock, attributed to employees was$1,440 and $2,923 for the three and six months ended June 30, 2019, respectively.

Stock-based compensation for consultants and independent financial advisors was$4 and $15 for the three and six months ended June 30, 2019, respectively. In the three and six months ended June 30, 2019, 660,756 and 1,002,460 shares were surrendered to cover payment of taxes.

Capital Stock

During the three and six months ended June 30, 2019, the Company sold 101,977 and 389,207 shares of Series A Preferred Stock, under the Company's "at the market" offering program, which provided total net proceeds to the Company of $2,534 and $9,449, respectively.

(Unaudited; Amounts in thousands, except share and per share amounts)

For the three and six months ended June 30, 2019, the Company paid dividends of $8,695 and $17,285, on its outstanding Series A Preferred Stock based on a monthly dividend of approximately $0.1667 per share.

For the three and six months ended June 30, 2019, the Company paid a quarterly dividend of $0.0125 per share on its outstanding common stock. For the three and six months ended June 30, 2019, the Company paid dividends of $1,793 and $3,587 on its outstanding common stock.

13. Per Share Data

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to the Company, decreased in the case of income and increased in the case of loss by dividends declared on preferred stock, by the weighted-average number of common shares outstanding.

The dilutive effect of incremental common shares potentially issuable under outstanding options and warrants and unvested restricted stock is included in diluted earnings per share utilizing the treasury stock method. A reconciliation of basic and diluted common shares used in the computation of per share data follows:

	Three Months Ended June 30,		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
Basic weighted-average shares	143,444,079	196,557,837	143,377,919	196,230,136
Effect of dilutive securities:				
Options to purchase common stock	—	12,050,453	—	—
Restricted shares of common stock	—	1,247,646	—	—
Dilutive potential common shares	—	13,298,099	—	—
Weighted average common shares outstanding and dilutive potential common shares	143,444,079	209,855,936	143,377,919	196,230,136

Basic weighted-average shares do not include 5,336,500 and 4,366,520 unvested restricted shares of common stock for the three and six months ended June 30, 2019 and 2018, respectively.

For the three and six months ended June 30, 2019, options and warrants to purchase 17,997,111 shares of common stock and 5,336,500 unvested restricted shares of common stock were not included in the computation of diluted loss per share as the effect would have been anti-dilutive.

For the three months ended June 30, 2018, options to purchase 1,871,000 shares of common stock and for the six months ended June 30, 2018 options to purchase 27,304,117 shares of common stock and 4,366,520 unvested restricted shares of common stock were not included in the computation of diluted income (loss) per share as the effect would have been anti-dilutive.

14. Noncontrolling Interest

Arbor Point Advisors, LLC ("APA"), a registered investment advisor, which began operations in 2013, provides investment advisory services through APA's licensed investment advisor representatives. Securities America holds an 80% interest in APA and an unaffiliated entity owns a 20% interest. Because Securities America is the controlling managing member of APA, the results of operations of APA are included in the Company's consolidated financial statements, and amounts attributable to the 20% unaffiliated investor are recorded as a noncontrolling interest.

15. Segment Information

The Company has three operating segments. The independent advisory and brokerage services segment includes the investment advisory and broker-dealer services provided by the Company's independent advisory and brokerage subsidiaries to their independent contractor financial advisors and the wealth management services provided by Premier Trust. The Ladenburg segment includes the investment banking, sales and trading, asset management services and investment activities conducted by Ladenburg and LTAM. The insurance brokerage segment includes the wholesale insurance brokerage activities provided by Highland, which delivers life insurance, fixed and equity indexed annuities and long-term care solutions to investment and insurance providers, and an affiliate of Highland, which provides marketing strategies, product expertise, and back-office processing for fixed and equity-indexed annuities.

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 excise and franchise tax expense, severance costs and compensation expense that may be paid in stock, is the primary profit measure the Company's management uses in evaluating financial performance for its reportable segments. 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 acquisition-related expense, 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.

Segment information for the three and six months ended June 30, 2019 and 2018 was as follows:

Three Months Ended June 30, 2019	Independent Advisory and Brokerage Services	Ladenburg	Insurance Brokerage	Corporate	Total
Revenues	$ 301,832	$ 17,433	$ 43,606	$ 709	$ 363,580

Income (loss) before income taxes		17,834		2,112		1,011		(11,444) [1]		9,513
EBITDA, as adjusted [3]		26,776		2,404		1,648		(4,136)		26,692
Identifiable assets [2]		534,562		61,197		99,529		122,261		817,549
Depreciation and amortization		5,308		119		473		6		5,906
Interest		147		2		57		5,367		5,573
Capital expenditures		3,199		—		6		(301)		2,904
Non-cash compensation		255		179		—		1,010		1,444
Three Months Ended June 30, 2018										
Revenues	$	299,471	$	18,120	$	37,925	$	2,240	$	357,756
Income (loss) before income taxes		16,708		1,979		832		(5,635) [1]		13,884
EBITDA, as adjusted [3]		25,221		2,268		1,413		(3,063)		25,839
Identifiable assets [2]		496,331		56,592		87,056		107,911		747,890
Depreciation and amortization		5,423		111		223		5		5,762
Interest		263		13		171		1,707		2,154
Capital expenditures		4,160		166		15		24		4,365
Non-cash compensation		309		177		56		1,026		1,568

Six Months Ended June 30, 2019		**Independent Advisory and Brokerage Services**		**Ladenburg**		**Insurance Brokerage**		**Corporate**		**Total**
Revenues	$	584,820	$	33,244	$	79,775	$	1,196	$	699,035
Income (loss) before income taxes		32,096		3,333		535		(21,623) [1]		14,341
EBITDA, as adjusted [3]		49,574		4,007		1,817		(8,313)		47,085
Identifiable assets [2]		534,562		61,197		99,529		122,261		817,549
Depreciation and amortization		10,617		239		944		11		11,811
Interest		232		(11)		119		10,282		10,622
Capital expenditures		6,208		—		33		(88)		6,153
Non-cash compensation		514		358		—		2,066		2,938
Six Months Ended June 30, 2018										
Revenues	$	575,000	$	40,434	$	68,985	$	2,721	$	687,140
Income (loss) before income taxes		27,388		6,292		701		(12,861) [1]		21,520
EBITDA, as adjusted [3]		45,232		6,919		1,854		(8,002)		46,003
Identifiable assets [2]		496,331		56,592		87,056		107,911		747,890
Depreciation and amortization		10,875		223		465		8		11,571
Interest		550		48		339		3,083		4,020
Capital expenditures		6,257		256		68		24		6,605
Non-cash compensation		619		353		113		1,977		3,062

(1) Includes interest expense, compensation, professional fees, and other general and administrative expenses related to the Corporate segment.

(2) Identifiable assets are presented as of the end of the period.

(3) The following table reconciles income before income taxes for the three and six months ended June 30, 2019 and 2018 to EBITDA, as adjusted.

	Three Months Ended June 30, 2019				**Six Months Ended June 30, 2019**			
		2019		**2018**		**2019**		**2018**
Income before income taxes	$	9,513	$	13,884	$	14,341	$	21,520
Adjustments:								
Interest income		(714)		(508)		(1,256)		(878)
Change in fair value of contingent consideration		85		50		197		111
Interest expense		5,573		2,154		10,622		4,020
Depreciation and amortization		5,906		5,762		11,811		11,571
Non-cash compensation expense		1,444		1,568		2,938		3,062
Amortization of retention and forgivable loans		109		107		252		183
Amortization of contract acquisition costs		2,874		2,361		5,651		4,571
Financial advisor recruiting expense		2		89		9		176
Acquisition-related expense		3		—		24		913
Income attributable to noncontrolling interest		(20)		(8)		(21)		(9)
Other [1] [2]		1,917		380		2,517		763
EBITDA, as adjusted	$	26,692	$	25,839	$	47,085	$	46,003

EBITDA, as adjusted				
Independent Advisory and Brokerage Services	$ 26,776	$ 25,221	$ 49,574	$ 45,232
Ladenburg	2,404	2,268	4,007	6,919
Insurance Brokerage	1,648	1,413	1,817	1,854
Corporate	(4,136)	(3,063)	(8,313)	(8,002)
Total segments	$ 26,692	$ 25,839	$ 47,085	$ 46,003

(1) Includes severance costs of $1,099 and $1,109, excise and franchise tax expense of $134 and $282, compensation expense that may be paid in stock of $703 and $857 and non-recurring expenses related to a block repurchase of our common stock and other legal matters of $(19) and $269 for the three and six months ended June 30, 2019.

(2) Includes severance costs of $86 and $174, excise and franchise tax expense of $169 and $322 and compensation expense that may be paid in stock of $125 and $267 for the three and six months ended June 30, 2018.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(amounts in thousands, except share and per share data)

Overview

We are a diversified financial services company engaged in independent advisory and brokerage services, asset management services, investment research, investment banking, institutional sales and trading, wholesale life insurance and annuity brokerage and trust services through our principal subsidiaries, Securities America, Triad Advisors ("Triad"), Securities Service Network ("SSN"), Investacorp , KMS Financial Services ("KMS"), Ladenburg Thalmann & Co. ("Ladenburg"), Ladenburg Thalmann Asset Management ("LTAM"), Premier Trust ("Premier Trust") and Highland Capital Brokerage ("Highland"). We are committed to establishing a significant presence in the financial services industry by meeting the varying investment needs of our clients.

Through our acquisitions of Securities America, Triad, SSN, Investacorp and KMS, we have established a leadership position in the independent advisory and brokerage services industry. During the past decade, this has been one of the fastest growing segments of the financial services industry. With approximately 4,400 financial advisors located in 50 states, we have become one of the largest independent advisory and brokerage networks.

We believe that we have the opportunity through internal growth, recruiting and acquisitions to continue expanding our market share in this segment over the next several years.

We have three operating segments: (i) the independent advisory and brokerage services segment, (ii) the Ladenburg segment and (iii) the insurance brokerage segment. The independent advisory and brokerage services segment includes the investment advisory and brokerage services provided by our independent advisory and brokerage subsidiaries (Securities America, Triad, SSN, Investacorp and KMS) to their independent contractor financial advisors and wealth management services provided by Premier Trust. The Ladenburg segment includes the investment banking, sales and trading and asset management services and investment activities conducted by Ladenburg and LTAM. The insurance brokerage segment includes the wholesale insurance brokerage activities conducted by Highland, which delivers life insurance, fixed and equity indexed annuities and long-term care solutions to investment and insurance providers, and which provides marketing strategies, product expertise, and back-office processing for fixed and equity-indexed annuities.

Each of Securities America, Triad, SSN, Investacorp, KMS and Ladenburg is subject to regulation by, among others, the Securities and Exchange Commission ("SEC"), the Financial Industry Regulatory Authority ("FINRA"), and the Municipal Securities Rulemaking Board and is a member of the Securities Investor Protection Corporation. Highland is subject to regulation by various regulatory bodies, including state attorneys general and insurance departments. Premier Trust is subject to regulation by the Nevada Department of Business and Industry Financial Institutions Division.

Recent Developments

Stock Repurchase Program

In April 2019, our board of directors authorized the repurchase of up to an additional 10,000,000 shares of our common stock from time to time, on the open market or in privately negotiated transactions, depending on market conditions.

Senior Note Offerings

On May 29, 2019, we sold $57,500 principal amount of our 7.75% senior notes due June 2029 ("7.75% Senior Notes") pursuant to an underwritten offering. Interest on the 7.75% Senior Notes accrues from May 29, 2019 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. We may redeem the 7.75% Senior Notes in whole or in part on or after June 30, 2022 at our option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest.

The offering resulted in total gross proceeds of $57,500 before deducting the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $1,967.

Common Stock Dividend

During the quarter ended June 30, 2019, we paid a quarterly dividend of $0.0125 per share on our outstanding common stock for $1,793, as compared to $0.01 per share in the second quarter of 2018 for $1,969.

Acquisition Strategy

We continue to explore opportunities to grow our businesses, including through possible acquisitions of other financial services firms, both domestically and internationally. These acquisitions may involve payments of material amounts of cash, the incurrence of material amounts of debt, which would increase our leverage, or the issuance of significant amounts of our equity securities, which may be dilutive to our existing shareholders. We cannot assure you that we will be able to complete any such possible acquisitions on acceptable terms or at all or, if we do, that any acquired business will be profitable. We also may not be able to successfully integrate acquired businesses into our existing business and operations.

During the three years ended June 30, 2019, we incurred $5,823 of acquisition indebtedness, related to the acquisitions in 2018 of certain assets by Highland. As of June 30, 2019, $5,615 of this acquisition-related indebtedness was outstanding.

Critical Accounting Policies

In the notes to our consolidated financial statements and in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” of our annual report on Form 10-K for the year ended December 31, 2018, we have disclosed those accounting policies that we consider to be significant in determining our results of operations and financial condition. For the Company's significant accounting policies affecting leases, see Note 4 within the notes to the unaudited condensed consolidated financial statements. There have been no other material changes to those policies that we consider to be significant since the filing of our annual report on Form 10-K for the year ended December 31, 2018.

Results of Operations

The following discussion provides an assessment of our results of operations, capital resources and liquidity and should be read in conjunction with our unaudited condensed consolidated financial statements and related notes included elsewhere in this report. The unaudited condensed consolidated financial statements include our accounts and the accounts of our subsidiaries.

The following table includes a reconciliation of net income attributable to the Company as reported to EBITDA, as adjusted, for the periods ended June 30, 2019 and 2018:

	Three Months Ended June 30,		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
Total revenues	$ 363,580	$ 357,756	$ 699,035	$ 687,140
Total expenses	353,982	343,822	684,497	665,509
Income before income taxes	9,513	13,884	14,341	21,520
Net income attributable to the Company	7,488	9,302	10,919	14,765
Reconciliation of net income attributable to the Company to EBITDA, as adjusted:				
Net income attributable to the Company	$ 7,488	$ 9,302	$ 10,919	$ 14,765
Less:				
Interest income	(714)	(508)	(1,256)	(878)
Change in fair value of contingent consideration	85	50	197	111
Add:				
Interest expense	5,573	2,154	10,622	4,020
Income tax expense	2,005	4,574	3,401	6,746
Depreciation and amortization	5,906	5,762	11,811	11,571
Non-cash compensation expense	1,444	1,568	2,938	3,062
Amortization of retention and forgivable loans	109	107	252	183
Amortization of contract acquisition costs (3)	2,874	2,361	5,651	4,571
Financial advisor recruiting expense	2	89	9	176
Acquisition-related expense	3	—	24	913
Other (1) (2)	1,917	380	2,517	763
EBITDA, as adjusted	$ 26,692	$ 25,839	$ 47,085	$ 46,003

(1) Includes severance costs of $1,099 and $1,109, excise and franchise tax expense of $134 and $282, compensation expense that may be paid in stock of $703 and $857 and non-recurring expenses related to a block repurchase of our common stock and other legal matters of $(19) and $269 for the three and six months ended June 30, 2019.

(2) Includes severance costs of $86 and $174, excise and franchise tax expense of $169 and $322 and compensation expense that may be paid in stock of $125 and $267 for the three and six months ended June 30, 2018.

(3) See Note 2, "Revenue from Contracts with Customers" to our condensed consolidated financial statements included in Part I, Item 1 of this quarterly report on Form 10-Q.

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 excise and franchise tax expense, severance costs and compensation expense that may be paid in stock, is a key metric we use in evaluating our 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 "Securities Act"). We consider EBITDA, as adjusted, important in evaluating our financial performance on a consistent basis across various periods. Due to the significance of non-cash and non-recurring items, EBITDA, as adjusted, enables our Board of Directors and management to monitor and evaluate the business on a consistent basis. We use 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.

We believe that EBITDA, as adjusted, eliminates items that are not indicative of our 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. 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.

EBITDA, as adjusted, for the second quarter of 2019 was $26,692, an increase of $853 (3%), from EBITDA, as adjusted, of $25,839 for the second quarter of 2018. This increase was primarily due to an increase in EBITDA, as adjusted, in the independent advisory and brokerage services segment, partially offset by a decrease in our Corporate segment. Our independent advisory and brokerage services segment experienced an increase in EBITDA, as adjusted, of $1,555 (6%) on increased revenue of $2,361 (1%). EBITDA, as adjusted, in our Ladenburg segment increased by $136 (6%) on decreased revenue of $687 (4%). EBITDA, as adjusted, in our insurance brokerage segment increased by $235 (17%) on increased revenue of $5,681 (15%). EBITDA, as adjusted in our corporate segment decreased by $1,073 (35%) on decreased revenue of $1,531 (68%).

EBITDA, as adjusted, for the six months ended June 30, 2019 was $47,085, an increase of $1,082 (2%), from EBITDA, as adjusted, of $46,003 for the six months ended June 30, 2018. This increase was primarily due to an increase in EBITDA, as adjusted, in the independent advisory and brokerage services segment, partially offset by a decrease in our Ladenburg segment. Our independent advisory and brokerage services segment experienced an increase in EBITDA, as adjusted, of $4,342 (10%) on increased revenue of $9,820 (2%). EBITDA, as adjusted, in our Ladenburg segment decreased by $2,912 (42%) on decreased revenue of $7,190 (18%). EBITDA, as adjusted, in our insurance brokerage segment decreased by $37 (2%) on increased revenue of $10,790 (16%). EBITDA, as adjusted in our corporate segment decreased by $311 (4%) on decreased revenue of $1,525 (56%).

Segment Description

We have three operating segments: (i) the independent advisory and brokerage services segment, (ii) the Ladenburg segment and (iii) the insurance brokerage segment. The independent advisory and brokerage services segment includes the investment advisory and broker-dealer services provided by our independent advisory and brokerage subsidiaries to their independent contractor financial advisors and the wealth management services provided by Premier Trust. The Ladenburg segment includes the investment banking, sales and trading and asset management services and investment activities conducted by Ladenburg and LTAM. The insurance brokerage segment includes the wholesale insurance brokerage activities provided by Highland, which delivers life insurance, fixed and equity indexed annuities and long-term care solutions to investment and insurance providers, and which provides marketing strategies, product expertise, and back-office processing for fixed and equity-indexed annuities.

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	Three Months Ended June 30,		Six Months Ended June 30, 2019	
	2019	2018	2019	2018
Revenues:				
Independent advisory and brokerage services	$ 301,832	$ 299,471	$ 584,820	$ 575,000
Ladenburg	17,433	18,120	33,244	40,434
Insurance Brokerage	43,606	37,925	79,775	68,985
Corporate	709	2,240	1,196	2,721
Total revenues	$ 363,580	$ 357,756	$ 699,035	$ 687,140
Income (loss) before income taxes:				
Independent advisory and brokerage services	$ 17,834	$ 16,708	$ 32,096	$ 27,388
Ladenburg	2,112	1,979	3,333	6,292
Insurance Brokerage	1,011	832	535	701
Corporate(1)	(11,444)	(5,635)	(21,623)	(12,861)
Total income before income taxes	$ 9,513	$ 13,884	$ 14,341	$ 21,520
EBITDA, as adjusted:				
Independent advisory and brokerage services	$ 26,776	$ 25,221	$ 49,574	$ 45,232
Ladenburg	2,404	2,268	4,007	6,919
Insurance Brokerage	1,648	1,413	1,817	1,854
Corporate	(4,136)	(3,063)	(8,313)	(8,002)
Total EBITDA, as adjusted(2)	$ 26,692	$ 25,839	$ 47,085	$ 46,003

(1) Includes interest expense, compensation, professional fees and other general administrative expenses related to the Corporate segment.

(2) See Note 15 to our condensed consolidated financial statements for a reconciliation of income before income taxes to EBITDA, as adjusted.

Three months ended June 30, 2019 versus three months ended June 30, 2018

For the quarter ended June 30, 2019, we had net income attributable to the Company of$7,488 as compared to net income attributable to the Company of$9,302 for the quarter ended June 30, 2018, primarily due to a decrease in other income at our corporate segment and increased overall expenses. The increase of $5,824 (2%) in total revenues was offset by a $10,160 (3%) increase in total expenses.

Our total revenues for the three months ended June 30, 2019 increased by$5,824 (2%) from the 2018 period, primarily attributable to increases in advisory fees and service fees, partially offset by a decrease in other income. Second quarter 2019 revenues included increases in service fees of $4,802 and advisory fees of $3,355, partially offset by a decrease in other income of $2,130. Our independent advisory and brokerage services segment revenues increased by$2,361 (1%) from the 2018 period, mainly as a result of increased advisory fees and service fees, partially offset by a decrease in commissions. Our Ladenburg segment revenues in the second quarter of 2019 decreased by $687 (4%) from the comparable 2018 quarter. Our insurance brokerage segment revenues increased by$5,681 (15%) for the three months ended June 30, 2019 compared to the prior-year period, primarily due to the acquisition of certain assets of Kestler Financial Group ("KFG") by Highland. Our corporate segment revenue decreased by $1,531 (68%) primarily due to the NFS loan forgiven in May 2018 and recognized in other income during the 2018 period.

Our total expenses for the three months ended June 30, 2019 increased by$10,160 (3%) as compared to the 2018 period, mostly driven by increases of$5,464 (15%), $4,278 (54%) and $1,238 (0%) in our insurance brokerage, corporate and independent advisory and brokerage services segments, respectively. This increase in total expenses was partially offset by a decrease in our Ladenburg segment of $820 (5%).

Second quarter 2019 expenses included increases in interest expense of $3,419, compensation and benefits expense of $3,331, other expenses of $1,292, commissions and fees expense of $743, brokerage, communication and clearance fee expense of $622 and amortization of contract acquisition costs of $513.

Commissions revenue for the three months ended June 30, 2019 decreased by $629 (0%) as compared to the 2018 period, primarily attributable to a decrease in revenue from our independent advisory and brokerage services segment of $6,186 (4%) due to a decrease in mutual fund and variable annuity trailing commissions, partially offset by an increase in fixed annuity and fixed income product sales. This was partially offset by an increase in our insurance brokerage segment of $5,909 (16%) due to the acquisition of certain assets of KFG. Additionally, commissions revenue in our Ladenburg segment decreased by $352 (12%) for the second quarter of 2019 as compared to the prior-year period driven by lower capital markets activity.

Advisory fee revenue for the three months ended June 30, 2019 increased by $3,355 (3%) as compared to the 2018 period primarily due to higher advisory asset balances as a result of improved market conditions. Advisory fee revenue increased in our independent advisory and brokerage services segment by $3,414 (3%). Advisory fee revenue for a particular period is primarily affected by the level of average advisory assets during the period and market conditions. Advisory fees generally are billed to clients in advance on a quarterly or a monthly basis, and are recognized as revenue ratably during the quarter. Our advisory assets at June 30, 2019 increased by 14% as compared to June 30, 2018 and by 6% as compared to March 31, 2019, primarily due to improved market conditions. Total advisory assets under management at June 30, 2019 were approximately $85,700,000 as compared to $75,200,000 at June 30, 2018 and $81,100,000 at March 31, 2019.

The $190 (2%) decrease in investment banking revenue for the three months ended June 30, 2019 as compared to the 2018 period was primarily driven by a $3,874 decrease in capital raising revenue, partially offset by an increase of $3,684 in strategic advisory services revenue as compared to the prior-year period. We derive investment banking revenue from Ladenburg's capital raising activities, including underwritten public offerings and private placements, and strategic advisory services. Revenue from capital raising activities was $6,850 for the 2019 second quarter period as compared to $10,724 for the 2018 second quarter period. Strategic advisory services revenue was $4,689 in the second quarter period of 2019 as compared to $1,005 in the comparable 2018 quarter period.

The $368 (158%) increase in principal transactions revenue for the three months ended June 30, 2019 as compared to the 2018 period was primarily attributable to our Ladenburg segment which had an increase of $383 due to an increase in the market value of the firm's investments.

The $248 (23%) increase in interest and dividends revenue for the three months ended June 30, 2019 as compared to the 2018 period was primarily driven by higher cash balances and interest rates in the 2019 period.

The $4,802 (17%) increase in service fees revenue for the three months ended June 30, 2019 as compared to the 2018 period was driven by an increase of $4,786 in our independent advisory and brokerage segment. The total increase was primarily due to increases in revenue from our cash sweep programs of $3,924 and affiliation fees of $426. Service fees revenue from our cash sweep programs was $16,851 in the second quarter of 2019 as compared to $12,926 in the comparable 2018 period, reflecting the impact of the 2018 increases in the target rate for the federal funds effective rate. In July 2019, the Federal Reserve reduced the federal funds target rate to 2.00 - 2.25%. Future levels of service fees revenue from our cash sweep programs are dependent upon prevailing interest rates and cash asset levels. At June 30, 2019, client assets included cash balances of approximately $4,273,000, including approximately $3,915,000 participating in our cash sweep programs.

The $2,130 (15%) decrease in other income for the three months ended June 30, 2019 as compared to the 2018 period was primarily attributable to a decrease in our corporate segment of $2,297 primarily due to the forgiveness of the NFS loan in May 2018, which was reflected in the 2018 period.

The $743 (0%) increase in commissions and fees expense for the three months ended June 30, 2019 as compared to the 2018 period was primarily due to the increase in commissions revenue in our insurance brokerage segment due to the acquisition of certain assets of KFG by Highland. This was partially offset by lower commissions and fees expense in the independent advisory and brokerage services segment.

Commissions and fees expense is comprised of compensation earned by the registered representatives who serve as independent contractors in our independent advisory and brokerage services segment and insurance agents who serve as independent contractors in our insurance brokerage segment. These payments to the independent contractor registered representatives and insurance agents are calculated based on a percentage of revenues generated by such persons and vary by product. Accordingly, when our independent contractor registered representatives and insurance agents increase their business, both our revenues and expenses increase as our representatives and agents earned increased compensation based on the higher revenues produced.

The $3,331 (7%) increase in compensation and benefits expense for the three months ended June 30, 2019 as compared to the 2018 period was attributable to an increase in our independent advisory and brokerage services segment of $3,136 and our insurance brokerage segment of $1,026, partially offset by a decrease in our corporate segment of $458. The increase in salaries and benefits in our independent advisory and brokerage services segment was due to an 8% headcount increase as compared to the prior-year period as a result of business expansion. Also, we recorded severance expense of approximately $1,100 during the three months ended June 30, 2019.

The $622 (21%) increase in brokerage, communication and clearance fees expense for the three months ended June 30, 2019 as compared to the 2018 period was driven primarily by an increase of $610 in our independent advisory and brokerage services segment.

The $257 (11%) increase in rent and occupancy expense, net of sublease revenue, for the three months ended June 30, 2019 as compared to the 2018 period was primarily attributable to an increase of $168 in our independent advisory and brokerage services segment and $135 in our insurance brokerage segment.

The $3,419 (159%) increase in interest expense for the three months ended June 30, 2019 as compared to the 2018 period primarily resulted from an increased average debt balance due to the issuance of senior notes during the last half of 2018 and second quarter of 2019. Our average outstanding debt balance was approximately $269,685 in the second quarter of 2019 as compared to $116,849 in the second quarter of 2018. The average interest rate was 7.3% for the three months ended June 30, 2019 and 6.1% for the comparable 2018 period. Our outstanding debt balance as of June 30, 2019 primarily included $319,178 of indebtedness due to the issuance of our senior notes, $6,277 of indebtedness incurred in connection with a term loan at one of our subsidiaries and $5,615 of indebtedness incurred in connection with asset acquisitions in our insurance brokerage segment. We expect higher interest expense in 2019 due to the issuance of 7.75% senior notes in May 2019.

The $513 (22%) increase in amortization of contract acquisition costs for the three months ended June 30, 2019 as compared to the 2018 period was primarily due to an increase in our independent advisory and brokerage services segment.

The $1,292 (7%) increase in other expense for the three months ended June 30, 2019 as compared to the 2018 period was primarily driven by increases at our corporate segment of $860, our independent advisory and brokerage services segment of $378 and our insurance brokerage segment of $263, partially offset by decreases at our Ladenburg segment of $209. The total increase in other expense was primarily attributable to increases in deferred compensation expense of $863 and increases in computer and software expenses of $557, partially offset by a decrease in travel & entertainment expense of $242.

We had income tax expense of $2,005 for the three months ended June 30, 2019 as compared to income tax expense of $4,574 in the comparable 2018 period.

As of June 30, 2019, we concluded that our deferred tax assets are realizable on a more-likely-than-not basis, with the exception of certain separate company state net operating losses. The income tax provision includes a provision for federal, state and local income taxes. See Note 8 to our condensed consolidated financial statements.

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA"), the U.S. tax reform bill, was signed into law. The TCJA provided a permanent reduction in our federal corporate income tax rate from 35% to 21%, effective January 1, 2018. During the year ended December 31, 2018, the Company finalized the accounting for the tax effects of TCJA with no material changes to the provisional estimate recorded in prior periods.

Our provision for income taxes consists of U.S. federal and state taxes in amounts necessary to align our year-to-date tax provision with the effective rate we expect to achieve for the full year. The effective tax rate differs from the federal statutory income tax rate of 21% for the 2019 period primarily related to state and local taxes and certain non-deductible expenses. The effective tax rate differs from the federal statutory income tax rate of 21% for the 2018 period primarily related to tax amortization of indefinite-lived intangibles including goodwill, federal alternative minimum tax and state and local income taxes.

Six months ended June 30, 2019 versus six months ended June 30, 2018

For the six months ended June 30, 2019, we had net income attributable to the Company of $10,919 as compared to net income attributable to the Company of $14,765 for the six months ended June 30, 2018, primarily due to a decrease in profitability at our Ladenburg investment banking segment and increased overall expenses. The increase of $11,895 (2%) in total revenues was offset by a $18,988 (3%) increase in total expenses.

Our total revenues for the six months ended June 30, 2019 increased by $11,895 (2%) from the 2018 period, primarily attributable to increases in service fees, commissions, advisory fees and principal transactions, partially offset by lower investment banking revenue and other income. 2019 revenues included increases in service fees of $12,103, commissions of $3,014, advisory fees of $2,880 and principal transactions of $1,129, partially offset by decreases in investment banking revenue of $6,851 and other income of $1,057. Our independent advisory and brokerage services segment revenues increased by $9,820 (2%) from the 2018 period, mainly as a result of increased service fees, advisory fees and other income, partially offset by a decrease in commissions revenues. Our Ladenburg segment revenues for the six months ended 2019 decreased by $7,190 (18%) from the comparable 2018 period due to a decrease in investment banking revenue. Our insurance brokerage segment revenues increased by $10,790 (16%) for the six months ended June 30, 2019 compared to the prior-year period, primarily due to the acquisition of certain assets of KFG by Highland. Our corporate segment revenue decreased by $1,525 (56%) primarily due to the forgiveness of the NFS loan in May 2018.

Our total expenses for the six months ended June 30, 2019 increased by $18,988 (3%) as compared to the 2018 period, mostly driven by increases of $10,852 (16%), $5,130 (1%) and $7,237 (46%) in our insurance brokerage, independent advisory and brokerage services and corporate segments, respectively. This increase in total expenses was partially offset by a decrease in our Ladenburg segment of $4,231 (12%).

2019 expenses included increases in interest expense of $6,602, compensation and benefits expense of $4,666, other expenses of $4,497, commissions and fees expense of $3,734, and amortization of contract acquisition costs of $1,080, partially offset by decreases in acquisition-related expenses of $889, brokerage, communication and clearance fee expense of $696, and professional services expense of $625.

Commissions revenue for the six months ended June 30, 2019 increased by $3,014 (1%) as compared to the 2018 period, primarily attributable to an increase in revenue from our insurance brokerage segment by $11,149 (17%) due to the acquisition of certain assets of KFG. This was partially offset by a decrease in commissions revenue in our independent advisory and brokerage services segment of $7,060 (3%) due to the decrease in sales of mutual funds, fewer equity trades and lower trailing commissions. Additionally, commissions revenue in our Ladenburg segment decreased by $1,075 (18%) for the six months ended June 30, 2019 as compared to the prior-year period.

Advisory fee revenue for the six months ended June 30, 2019 increased by $2,880 (1%) as compared to the 2018 period primarily due to higher advisory asset balances due to improved market conditions. Advisory fee revenue increased in our independent advisory and brokerage services segment by $3,249 (1%). Advisory fee revenue for a particular period is primarily affected by the level of average advisory assets during the period and market conditions. Advisory fees generally are billed to clients in advance on a quarterly or a monthly basis, and are recognized as revenue ratably during the quarter. Our advisory assets at June 30, 2019 increased by 14% as compared to June 30, 2018 and by 18% as compared to December 31, 2018, primarily due to improved market conditions. Total advisory assets under management at June 30, 2019 were approximately $85,700,000 as compared to $75,200,000 at June 30, 2018 and $72,800,000 at December 31, 2018.

The $6,851 (24%) decrease in investment banking revenue for the six months ended June 30, 2019 as compared to the 2018 period was primarily driven by a $9,525 decrease in capital raising revenue, partially offset by an increase of $2,674 in strategic advisory services revenue as compared to the prior-year period. Capital market activity was negatively impacted during the first quarter of 2019 by the temporary U.S. government shutdown. We derive investment banking revenue from Ladenburg's capital raising activities, including underwritten public offerings and private placements, and strategic advisory services. Revenue from capital raising activities was $15,738 for the six months ended June 30, 2019, as compared to $25,263 for the prior year period. Strategic advisory services revenue was $5,630 for the six months ended June 30, 2019 as compared to $2,956 in the comparable 2018 period.

The $1,129 (282%) increase in principal transactions revenue for the six months ended June 30, 2019 as compared to the 2018 period was primarily attributable to our Ladenburg segment which had an increase of $1,255 due to an increase in the market value of the firm's investments.

The $677 (36%) increase in interest and dividends revenue for the six months ended June 30, 2019 as compared to the 2018 period was primarily driven by higher cash balances and interest rates in the 2019 period.

The $12,103 (23%) increase in service fees revenue for the six months ended June 30, 2019 as compared to the 2018 period was driven by an increase of $12,007 in our independent advisory and brokerage segment. The total increase was primarily due to increases in revenue from our cash sweep programs of $11,447 and affiliation fees of $943. In July 2019, the Federal Reserve reduced the federal funds target rate to 2.00 - 2.25%. Future levels of service fees revenue from our cash sweep programs are dependent upon prevailing interest rates and cash asset levels. At June 30, 2019, client assets included cash balances of approximately $4,273,000, including approximately $3,915,000 participating in our cash sweep programs.

The $1,057 (5%) decrease in other income for the six months ended June 30, 2019 as compared to the 2018 period was primarily attributable to a decrease of $2,297 in our corporate segment partially offset by an increase of $1,542 in our independent advisory and brokerage services segment. Total other income decreased due to decreases in growth incentive revenues from a clearing firm of $3,089 and the forgiveness of the NFS loan in May 2018 of $2,222, partially offset by increases in conference revenue of $2,458 and increases in deferred compensation investment revenue of $1,737.

The $3,734 (1%) increase in commissions and fees expense for the six months ended June 30, 2019 as compared to the 2018 period was primarily due to the increase in commissions revenue in our insurance brokerage segment due to the acquisition of certain assets of Kestler Financial Group by Highland. This was partially offset by lower commissions and fees expense in the independent advisory and brokerage services segment. Commissions and fees expense is comprised of compensation earned by the registered representatives who serve as independent contractors in our independent advisory and brokerage services segment and insurance agents who serve as independent contractors in our insurance brokerage segment. These payments to the independent contractor registered representatives and insurance agents are calculated based on a percentage of revenues generated by such persons and vary by product. Accordingly, when our independent contractor registered representatives and insurance agents increase their business, both our revenues and expenses increase as our representatives and agents earned increased compensation based on the higher revenues produced.

The $4,666 (5%) increase in compensation and benefits expense for the six months ended June 30, 2019 as compared to the 2018 period was attributable to an increase in our independent advisory and brokerage services segment of $6,341, partially offset by a decrease in our Ladenburg segment of $3,064. The increase in salaries and benefits in our independent advisory and brokerage services segment was due to an 8% headcount increase as compared to the prior-year period as a result of business expansion and an increase in bonus accrual. The decrease in compensation in our Ladenburg segment was due to a decrease in revenue driven compensation. Also we recorded severance expense of approximately $1,100 during the six months ended June 30, 2019.

The $696 (8%) decrease in brokerage, communication and clearance fees expense for the six months ended June 30, 2019 as compared to the 2018 period was driven primarily by a decrease of $434 in our independent advisory and brokerage services segment and a decrease of $245 in our Ladenburg segment.

The decrease in expense resulted from increased levels of clearing credits during the 2019 period, resulting from new annual business credits being received in connection with the May 2018 extension of the term of our clearing agreements with one of our clearing firms.

The $434 (9%) increase in rent and occupancy expense, net of sublease revenue, for the six months ended June 30, 2019 as compared to the 2018 period was primarily attributable to an increase of $327 in our insurance brokerage segment.

The $625 (6%) decrease in professional services expense for the six months ended June 30, 2019 as compared to the 2018 period primarily was due to lower legal expenses of $742 in our Ladenburg segment.

The $6,602 (164%) increase in interest expense for the six months ended June 30, 2019 as compared to the 2018 period primarily resulted from an increased average debt balance due to the issuance of senior notes in the second half of 2018 and the second quarter of 2019. Our average outstanding debt balance was approximately $264,025 for the six months ended June 30, 2019 as compared to $107,851 for the six months ended June 30, 2018. The average interest rate was 7.1% for the six months ended June 30, 2019 and 6.3% for the comparable 2018 period. Our outstanding debt balance as of June 30, 2019 primarily included $319,178 of indebtedness due to the issuance of our senior notes, $6,277 of the new term loan and $5,615 of indebtedness incurred in connection with asset acquisitions in our insurance brokerage segment. We expect higher interest expense in 2019 due to the issuance of senior notes.

The $889 (97%) decrease in acquisition-related expense for the six months ended June 30, 2019 as compared to the 2018 period was due to a decrease in our independent advisory and brokerage services segment. The six months ended June 30, 2018 included expense associated with temporary help and overtime compensation related to newly recruited advisors.

The $1,080 (24%) increase in amortization of contract acquisition costs for the six months ended June 30, 2019 as compared to the 2018 period was primarily due to an increase in our independent advisory and brokerage services segment.

The $4,497 (12%) increase in other expense for the six months ended June 30, 2019 as compared to the 2018 period was primarily driven by increases at our independent advisory and brokerage services segment of $3,819 and our insurance brokerage segment of $737. The total increase in other expense was primarily attributable to increases in deferred compensation expense of $2,418, computer and software expenses of $1,716 and conference expenses of $1,667, partially offset by a decrease in legal settlement expense of $1,625.

We had income tax expense of $3,401 for the six months ended June 30, 2019 as compared to income tax expense of $6,746 in the comparable 2018 period.

As of June 30, 2019, we concluded that our deferred tax assets are realizable on a more-likely-than-not basis, with the exception of certain separate company state net operating losses. The income tax provision includes a provision for federal, state and local income taxes. See Note 8 to our condensed consolidated financial statements.

On December 22, 2017, the TCJA was signed into law. The TCJA provided a permanent reduction in our federal corporate income tax rate from 35% to 21%, effective January 1, 2018. During the year ended December 31, 2018, the Company finalized the accounting for the tax effects of TCJA with no material changes to the provisional estimate recorded in prior periods.

Our provision for income taxes consists of U.S. federal and state taxes in amounts necessary to align our year-to-date tax provision with the effective rate we expect to achieve for the full year. The effective tax rate differs from the federal statutory income tax rate of 21% for the 2019 period primarily related to state and local taxes and certain non-deductible expenses. The effective tax rate differs from the federal statutory income tax rate of 21% for the 2018 period primarily related to tax amortization of indefinite-lived intangibles including goodwill, federal alternative minimum tax and state and local income taxes.

Liquidity and Capital Resources

Approximately 35% and 30% of our total assets at June 30, 2019 and December 31, 2018, respectively, consisted of cash and cash equivalents, securities owned and receivables from clearing brokers and other broker-dealers, all of which fluctuate, depending upon the levels of customer business and trading activity. Receivables from broker-dealers, which are primarily from clearing brokers, turn over rapidly. Our total assets or the individual components of our total assets may vary significantly from period to period because of changes relating to economic and market conditions.

Each of Securities America, Triad, Investacorp, KMS, SSN and Ladenburg is subject to a minimum net capital requirement. At June 30, 2019, each of Securities America, Triad, Investacorp, KMS, SSN and Ladenburg was subject to a $250 minimum net capital requirement.

At June 30, 2019, the regulatory net capital of each of our broker-dealer subsidiaries was as follows: Securities America$14,488, Triad $9,795, Investacorp $9,561, KMS $5,724, SSN $6,219 and Ladenburg $26,290. Failure to maintain the required net capital may subject our broker-dealer subsidiaries to suspension or expulsion by FINRA, the SEC and other regulatory bodies and ultimately may require their liquidation. The Net Capital Rule also prohibits the payment of dividends, redemption of stock and prepayment or payment of principal of subordinated indebtedness if net capital, after giving effect to the payment, redemption or prepayment, would be less than specified percentages of the minimum net capital requirement. Compliance with the Net Capital Rule could limit Ladenburg's operations that require the intensive use of capital, such as underwriting and trading activities, and also could restrict our ability to withdraw capital from our subsidiaries, which in turn, could limit our ability to pay dividends and repay debt.

Premier Trust, chartered by the state of Nevada, is subject to regulation by the Nevada Department of Business and Industry Financial Institutions Division. Under Nevada law, Premier Trust must maintain stockholders' equity of at least $1,000, including cash of at least $250. At June 30, 2019, Premier Trust had stockholders' equity of $4,163, including at least $250 in cash.

Our primary sources of liquidity include cash flows from operations and sales of equity and debt securities in public or private transactions. We believe that we have adequate cash and regulatory capital to fund our current level of operating activities through at least August 2020.

In June 2018, we entered into an equity distribution agreement under which we may sell up to 6,832,841 shares of our Series A Preferred Stock in an "at the market" offering under Rule 415 under the Securities Act. This equity distribution agreement replaced our previous equity distribution agreement pursuant to which we could sell up to 8,000,000 shares of our Series A Preferred Stock. During the six months ended June 30, 2019, we sold 389,207 shares of Series A Preferred Stock pursuant to the "at the market" offering, which provided total net proceeds of $9,449. As of June 30, 2019, we had 6,443,634 shares of Series A Preferred Stock remaining available for sale under such equity distribution agreement.

On November 21, 2017, we sold $72,500 principal amount of our 6.5% Senior Notes. Interest on the 6.5% Senior Notes accrues from November 21, 2017 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. We may redeem the 6.5% Senior Notes in whole or in part on or after November 30, 2020, at our option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest. During the fourth quarter of 2017, the underwriters exercised their option to purchase an additional $4,069 principal amount of 6.5% Senior Notes. The offering resulted in total gross proceeds of $76,569, before deducting the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $3,313. In February 2018, we entered into a note distribution agreement under which we may sell up to $25,000 of additional 6.5% Senior Notes from time to time in an "at the market" offering. During 2018, we sold $6,240 principal amount of 6.5% Senior Notes, pursuant to the "at the market" offering and received net proceeds of $6,058. We did not sell any 6.5% Senior Notes pursuant to the "at the market" offering during the six months ended June 30, 2019.

On May 22, 2018, we sold $40,000 principal amount of our 7% Senior Notes pursuant to an underwritten offering. Interest on the 7% Senior Notes accrues from May 30, 2018 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year.

We may redeem the 7% Senior Notes in whole or in part on or after May 31, 2021, at our option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest. During the second quarter of 2018, the underwriters exercised their option to purchase an additional $1,412 principal amount of the 7% Senior Notes. The offering resulted in total gross proceeds of $41,412, before deducting (i) the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $2,020 and (ii) $1,622 of 7% Senior Notes repurchased by Ladenburg. In June 2018, we entered into a note distribution agreement under which we may sell up to $25,000 of additional 7% Senior Notes from time to time in an "at the market" offering. In 2018, we sold $2,729 principal amount of 7% Senior Notes, pursuant to the "at the market" offering for net proceeds of $2,682. We did not sell any 7% Senior Notes pursuant to the "at the market" offering during the six months ended June 30, 2019.

On August 9, 2018, we sold $60,000 principal amount of our 7.25% Senior Notes pursuant to an underwritten offering. Interest on the 7.25% Senior Notes accrues from August 16, 2018 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. We may redeem the 7.25% Senior Notes in whole or in part on or after September 30, 2021 at our option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest. The offering resulted in total gross proceeds of $60,000, before deducting the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $2,135.

On May 29, 2019, the Company sold $57,500 principal amount of its 7.75% senior notes due June 2029 ("7.75% Senior Notes") pursuant to an underwritten offering. Interest on the 7.75% Senior Notes accrues from May 29, 2019 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The Company may redeem the 7.75% Senior Notes in whole or in part on or after June 30, 2022 at its option, at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest. The offering resulted in total gross proceeds of $57,500, before deducting the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $1,967.

We believe our existing assets and cash flows from operations will provide adequate funds for continuing operations at current activity levels and for payment of our obligations, including outstanding indebtedness and the dividends on our outstanding Series A Preferred Stock. We were in compliance with all covenants in our debt agreements as of June 30, 2019.

Cash provided by operating activities for the six months ended June 30, 2019 was $16,167, which primarily consisted of our net income of $10,940 adjusted for non-cash expenses, decreases in other assets, securities owned, receivables from other broker-dealers and income tax receivable, as well as, increases in the deferred compensation plan, partially offset by decreases in accrued compensation, increases in receivables from clearing brokers and contract acquisition costs.

Cash provided by operating activities for the six months ended June 30, 2018 was $26,003, which primarily consisted of our net income of $14,774 adjusted for non-cash expenses, decreases in receivables from clearing brokers, notes receivable from financial advisors, net, receivables from other broker-dealers, increases in securities sold, but not yet purchased, at fair value, commissions and fees payable, accounts payable and accrued liabilities and deferred compensation partially offset by increases in securities owned, at fair value, contract acquisition costs, other receivables, net, other assets, as well as decreases in accrued compensation.

Investing activities used $6,153 for the six months ended June 30, 2019, primarily due to the purchase of furniture, equipment and leasehold improvements. Investing activities used $6,605 for the six months ended June 30, 2018, primarily due to the purchase of furniture, equipment and leasehold improvements.

Financing activities provided $41,255 for the six months ended June 30, 2019, primarily due to the issuance of senior notes providing $55,557, issuance of preferred stock providing $9,449 and borrowings on the term note of $7,000, partially offset by payment of $17,285 of dividends on our Series A Preferred Stock, $3,587 of dividends on our common stock and $10,347 used for common stock repurchases and retirements.

Financing activities provided $19,175 for the six months ended June 30, 2018 primarily due to $45,936 from the issuance of senior notes and $2,613 from the issuance of common stock upon option exercises and under our employee stock purchase plan.

This was partially offset by payment of $17,016 of dividends of our Series A Preferred Stock, $3,929 of dividends on our common stock, $3,428 used for common stock repurchases and retirements and $4,912 in payments of outstanding indebtedness that included a $2,543 repayment of outstanding notes related to the SSN acquisition, a $1,023 repayment of outstanding notes related to the KMS acquisition and $1,346 of bank loan and revolver payments.

At June 30, 2019, we were obligated under several non-cancelable lease agreements for office space, which provide for future minimum lease payments aggregating approximately $43,170, through January 2030. We have subleased vacant space under subleases to unrelated subtenants, which entitle us to receive rents aggregating approximately $49 through February 2020.

In connection with an office lease entered into in March 2016, Securities America has exercised an option to lease additional office space, which is under construction, for 12 years and would require the payment of an estimated average annual rent of $2,000, subject to certain adjustments. The Company currently expects that this lease will commence in 2020 upon completion of the construction. Such estimated rent amounts are not included in the total minimum lease payments above.

On November 6, 2013, Securities America entered into a loan agreement (the “SA Loan Agreement”) with a third-party financial institution for a revolving credit facility. Revolving loans bear interest at 5.5% per annum over a 5-year term. On April 21, 2017, the SA Loan Agreement was amended to modify the interest rate for new revolving loans to prime plus 2.25%. At June 30, 2019, $24 was outstanding. The $1,000 revolving credit facility was terminated in February 2019.

On February 6, 2019, the SA Loan Agreement was amended to provide for a new term loan in the aggregate principal amount of $7,000, with interest at the rate of 5.52% per annum. Securities America began monthly payments of principal and interest under the new term loan in the amount of $212 on March 6, 2019. The term loan matures on February 6, 2022. The loans are collateralized by Securities America's assets. The SA Loan Agreement contains certain affirmative and negative covenants, including covenants regarding Securities America's client assets levels and number of financial advisors.

On August 31, 2018, as part of the consideration paid for the acquisition of certain assets of Kestler Financial Group ("KFG"), an affiliate of Highland issued a promissory note (the "KFG Note") to the former shareholders of KFG in the aggregate principal amount of $5,450, bearing interest at 4% per annum and payable in equal monthly installments beginning on September 15, 2018, with the final installment being due on November 15, 2036. The KFG Note may be prepaid in full or in part at any time without premium or penalty. The KFG Note contains customary events of default, which if uncured, entitle the holder to accelerate the due date of the unpaid principal amount of, and all accrued and unpaid interest on, the KFG Note. Total interest expense on the KFG Note was $107 for the six months ended June 30, 2019.

In November 2018, as part of the consideration paid for the acquisition of certain assets of Four Seasons Financial Group ("FSFG"), Highland issued two promissory notes in the amounts of $169 and $203, bearing interest at 3.99% and 4.75%, per annum, respectively and payable in equal monthly installments. The notes mature on October 1, 2021 and January 15, 2024, respectively.

In December 2018, as part of the consideration paid for the repurchase of 50.9 million shares of our common stock, we issued $76.35 million aggregate principal amount of 7.25% Senior Notes due 2028 (the “December 2018 Notes”) to the sellers of the common stock. The December 2018 Notes are senior unsecured obligations of ours and rank equally in right of payment with all of the Company’s existing and future senior unsecured and unsubordinated indebtedness. The December 2018 Notes are effectively subordinated in right of payment to all of our existing and future secured indebtedness and structurally subordinated to all existing and future indebtedness of our subsidiaries. The December 2018 Notes bear interest from December 24, 2018 at the rate of 7.25% per annum, payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on March 31, 2019, and at maturity. The December 2018 Notes mature on September 30, 2028. We may, at our option, at any time and from time to time, on or after September 30, 2021, redeem the December 2018 Notes, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount thereof plus accrued and unpaid interest to, but excluding, the date fixed for redemption.

On and after any redemption date, interest will cease to accrue on the redeemed December 2018 Notes. The December 2018 Notes contain exchange and resale registration rights that require us, at the written request of the note holders, to use commercially reasonable efforts to issue in exchange for the December 2018 Notes a new series of notes under our existing Indenture, dated as of November 21, 2017, as amended and supplemented from time to time, on substantially the same terms as our outstanding publicly-traded 7.25% Senior Notes due 2028, which have substantially the same terms as the December 2018 Notes, effect the registration with the SEC of the resale and listing of the December 2018 Notes on the NYSE American, and assist in marketing the December 2018 Notes for resale. We have received such written request from the note holders regarding the exchange and resale registration rights.

In March 2007, October 2011, November 2014, November 2016 and April 2019, our board of directors authorized in the aggregate the repurchase of up to 37,500,000 shares of our common stock from time to time on the open market or in privately negotiated transactions depending on market conditions. During the six months ended June 30, 2019, 1,886,387 shares were repurchased pursuant to the repurchase program. As of June 30, 2019,27,070,492 shares had been repurchased for $72,668 under the program and have been retired. As of June 30, 2019, 10,429,508 shares remained available for repurchase under the program. Beginning in the fourth quarter of 2015, we adopted a Rule 10b5-1 trading plan to permit the repurchase of common stock pursuant to the existing stock repurchase program during certain restricted trading periods. We may execute similar Rule 10b5-1 plans periodically in the future.

Off-Balance-Sheet Risk and Concentration of Credit Risk

Each of our broker-dealer subsidiaries, as guarantor of its customer accounts to its clearing broker, is exposed to off-balance-sheet risks in the event that its customers do not fulfill their obligations with the clearing broker.

Also, if any of our broker-dealer subsidiaries maintains a short position in certain securities, it is exposed to off-balance-sheet market risk, because its ultimate obligation to purchase securities may exceed the amount recognized in the financial statements.

Please see Note 11 to our unaudited condensed consolidated financial statements included elsewhere in this quarterly report on Form 10-Q.

Contractual Obligations

Except as set forth below, there are no material updates to the Contractual Obligations table as disclosed in our annual report on Form 10-K for the year ended December 31, 2018.

On February 6, 2019, Securities America Financial Corporation entered into an amendment to its loan agreement with a third-party financial institution to provide for a term loan in the aggregate principal amount of $7,000, with interest accruing at the rate of 5.52%. Securities America began monthly payments of principal and interest under the term loan in the amount of $212 on March 6, 2019. The term loan matures on February 6, 2022.

On May 29, 2019, the Company sold $57,500 principal amount of its 7.75% senior notes due June 2029 ("7.75% Senior Notes") pursuant to an underwritten offering. Interest on the 7.75% Senior Notes accrues from May 29, 2019 and is paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The Company may redeem the 7.75% Senior Notes in whole or in part on or after June 30, 2022 at its option, at a redemption price equal td00% of their principal amount, plus accrued and unpaid interest. The offering resulted in total gross proceeds of $57,500, before deducting the underwriting discount paid to unaffiliated underwriters and offering expenses aggregating $1,967.

Due to new lease arrangements resulting from Highland's acquisitions of certain assets of KFG and Four Seasons, Highland is obligated to make payments of $2,089 through 2025 relating to KFG's lease and to make payments of $209 through December 2022 relating to Four Seasons' lease.

Market Risk

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

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

We maintain inventories of trading securities. At June 30, 2019, the fair market value of our inventories was$4,820 in long positions and $3,397 in short positions. We performed an entity-wide analysis of our financial instruments and assessed the related market risk. Based on this analysis, we do not expect that the market risk associated with our financial instruments at June 30, 2019 will have a material adverse effect on our consolidated financial position or results of operations.

Special Note Regarding Forward-Looking Statements

We and our representatives may from time to time make oral or written "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including any statements that may be contained in the foregoing discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report, elsewhere in this report, and in other filings with the SEC and in our reports to shareholders, which reflect our expectations or beliefs with respect to future events and financial performance.

These forward-looking statements are subject to certain risks and uncertainties and, in connection with the "safe-harbor" provisions of the Private Securities Litigation Reform Act, we have identified under "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2018 and our subsequent quarterly reports, important factors that could cause actual results to differ materially from these contained in any forward-looking statement made by or on behalf of us.

Results actually achieved may differ materially from expected results included in these forward-looking statements as a result of these or other factors. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date on which such statements are made. We do not undertake to update any forward-looking statement that may be made from time to time by or on behalf of us, except as required by law.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations — Market Risk" contained in this Quarterly Report on Form 10-Q is incorporated herein by reference. Through the end of the period covered by this Quarterly Report on Form 10-Q, there have been no material changes to the information provided in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding disclosure.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report, and, based on that evaluation, our principal executive officer and principal financial officer concluded that these controls and procedures were effective as of such date.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

Please see Note 10 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Item 1A. RISK FACTORS

There have been no material changes to the risk factors previously disclosed in Part 1, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

This table shows information regarding our monthly purchases of our common stock during the second quarter of 2019.

Period	Total Number of Shares Purchased		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs [1]
April 1 to April 30, 2019	488,700	[2]	$ 3.54	483,468	11,832,427
May 1 to May 31, 2019	1,502,679	[3]	3.44	837,004	10,995,423
June 1 to June 30, 2019	695,797	[4]	3.45	565,915	10,429,508
Total	2,687,176		$ 3.46	1,886,387	

(1) In March 2007, October 2011, November 2014, November 2016 and April 2019, our board of directors authorized in the aggregate the repurchase of up to 37,500,000 shares of our common stock from time to time on the open market or in privately negotiated transactions depending on market conditions. As of June 30, 2019, 27,070,492 shares had been repurchased for $72,668 under the program and 10,429,508 shares remain available for repurchase under the program depending on market conditions. In April 2019, our board of directors authorized the repurchase of up to an additional 10,000,000 shares of our common stock from time to time on the open market or in privately negotiated transactions depending on market conditions. Beginning in the fourth quarter of 2015, we adopted a Rule 10b5-1 trading plan to permit the repurchase of common stock pursuant to the existing stock repurchase program during certain restricted trading periods. We may execute similar Rule 10b5-1 plans periodically in the future.

(2) Includes 5,232 shares surrendered to the Company in satisfaction of withholding taxes in connection with the vesting of restricted stock awards issued under the Company's Amended and Restated 2009 Incentive Compensation Plan.

(3) Includes 1,565 shares surrendered to the Company in satisfaction of withholding taxes in connection with the vesting of restricted stock awards issued under the Company's Amended and Restated 2009 Incentive Compensation Plan, 651,437 shares surrendered in satisfaction of withholding taxes in exercise of stock options and 12,673 shares tendered in exercise of stock options.

(4) Includes 2,522 shares surrendered to the Company in satisfaction of withholding taxes in connection with the vesting of restricted stock awards issued under the Company's Amended and Restated 2009 Incentive Compensation Plan. In June 2019, 127,360 shares were repurchased in a privately negotiated transaction.

Item 6. EXHIBITS

Exhibit No.	Description
4.1	Fourth Supplemental Indenture, dated as of May 29, 2019, between the Company and U.S. Bank National Association, as Trustee (incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed with the SEC on May 29, 2019)
4.2	Form of 7.75% Senior Note due 2029 (incorporated by reference to exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on May 29, 2019)
31.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
32.2	Certification of Chief Financial Officer, Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**
101.INS	XBRL Instance Document.*
101.SCH	XBRL Taxonomy Extension Schema.*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.*
101.DEF	XBRL Taxonomy Extension Definition Linkbase.*
101.PRE	XBRL Taxonomy Extension Label Linkbase.*
101.LAB	XBRL Taxonomy Extension Presentation Linkbase.*

*Filed herewith
**Furnished herewith

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 thereunto duly authorized.

LADENBURG THALMANN FINANCIAL SERVICES INC.
(Registrant)

Date:	August 8, 2019	By:	/s/ Brett H. Kaufman
			Brett H. Kaufman
			Senior Vice President and Chief Financial Officer
			(Principal Financial and Accounting Officer)

EXHIBIT 31.1

RULE 13a-14(a) CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Richard J. Lampen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ladenburg Thalmann Financial Services Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ Richard J. Lampen
Richard J. Lampen
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

RULE 13a-14(a) CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Brett H. Kaufman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ladenburg Thalmann Financial Services Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2019

/s/ Brett H. Kaufman
Brett H. Kaufman
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

SECTION 1350 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

In connection with the Quarterly Report of Ladenburg Thalmann Financial Services Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard J. Lampen, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2019

/s/ Richard J. Lampen
Richard J. Lampen
President and Chief Executive Officer
(Principal Executive Officer)

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes – Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Ladenburg Thalmann Financial Services Inc., or the certifying officers.

EXHIBIT 32.2

SECTION 1350 CERTIFICATION OF CHIEF FINANCIAL OFFICER

In connection with the Quarterly Report of Ladenburg Thalmann Financial Services Inc. (the "Company") on Form 10-Q for the period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brett H. Kaufman, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 8, 2019

/s/ Brett H. Kaufman
Brett H. Kaufman
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

The certification set forth above is being furnished as an exhibit solely pursuant to Section 906 of the Sarbanes – Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Ladenburg Thalmann Financial Services Inc., or the certifying officers.