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

Form 10-K

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

For the Fiscal Year Ended December 31, 2019
Commission File Number 1-15799

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: None

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes☑ No ☐

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 ☑ 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 ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 ☑ 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 ☑

As of June 30, 2019 (the last business day of the registrant's most recently completed second fiscal quarter), the aggregate market value of the registrant's common stock (based on the closing price on the NYSE American on that date) held by non-affiliates of the registrant was approximately $399,169,913.

As of March 13, 2020, there were100 shares of the registrant's common stock outstanding.

Documents Incorporated by Reference:

Part III (Items 10, 11, 12, 13 and 14) of this Annual Report on Form 10-K is incorporated by reference from the registrant's definitive Proxy Statement for its 2020 Annual Meeting of Shareholders if filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year covered by this report or, alternatively, by amendment to this Form 10-K under cover of Form 10-K/A no later than the end of such 120 day period.

LADENBURG THALMANN FINANCIAL SERVICES INC.

Form 10-K

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PART I

ITEM 1. *BUSINESS.*

This business description should be read in conjunction with our audited consolidated financial statements and accompanying notes thereto appearing elsewhere in this annual report, which are incorporated herein by this reference.

Recent Developments

On November 11, 2019, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) by and among us, Advisor Group Holdings, Inc., a Delaware corporation (“Advisor Group”), and Harvest Merger Sub, Inc., a Florida corporation and a wholly owned subsidiary of Advisor Group (“Merger Sub”), pursuant to which Merger Sub would be merged with and into us (the "Merger"). On January 30, 2020, our shareholders voted to approve the Merger.

On February 14, 2020, we announced the successful completion of the Merger, and the NYSE American filed Form 25 to delist our shares of common stock. On February 24, 2020, we filed Form 15 to terminate registration under Section 12(g) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) and our duty to file reports under Sections 13 and 15(d) of the Exchange Act with respect to our common stock.

As required by the terms of our 8.00% Series A Preferred Stock (the "Series A Preferred Stock"), on February 14, 2020, we provided notice to the holders of our Series A Preferred Stock of their right to convert each share of Series A Preferred Stock owned by them into $25.0389 per share in cash. The conversion right arose from the Merger and the resulting change of control of our company. 12,816,614 shares of Series A Preferred Stock were converted and 4,584,668 shares of Series A Preferred Stock remained outstanding as of March 10, 2020.

On February 24, 2020, we filed Form 25 to delist the Series A Preferred Stock, our 6.50% Senior Notes due 2027 (the “6.50% Senior Notes”), our 7.00% Senior Notes due 2028 (the “7.00% Senior Notes”), our 7.25% Senior Notes due 2028 (the “7.25% Senior Notes”), and our 7.75% Senior Notes due 2029 (the “7.75% Senior Notes” and, together with the 6.50% Senior Notes, the 7.00% Senior Notes, the 7.25% Senior Notes and the 7.75% Senior Notes, the "Publicly Offered Senior Notes") from the NYSE American. On March 5, 2020, we filed Form 15 to terminate registration under Section 12(g) of the Exchange Act and our duty to file reports under Section 13 and 15(d) of the Exchange Act with respect to the Series A Preferred Stock and the Publicly Offered Senior Notes. The Series A Preferred Stock and Publicly Offered Senior Notes currently trade on the Pink Sheets.

General

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, and Highland Capital Brokerage (“Highland”).

The independent advisory and brokerage services industry has been one of the fastest growing segments of the financial services industry during the past decade. With approximately 4,400 financial advisors located in 50 states, we have become one of the largest independent advisory and brokerage services networks. Since 2007, our plan has been to marry the more stable and recurring revenue and cash flows of the independent advisory and brokerage business with Ladenburg’s traditional investment banking, capital markets, institutional sales and trading and related businesses.

Ladenburg’s legacy investment banking business is generally more volatile and subject to the cycles of the equity capital markets than our independent advisory and brokerage subsidiaries, but historically has enjoyed strong operating margins in periods of good market conditions. Our goal has been to build sufficient scale in our independent advisory and brokerage business, with the accompanying more steady cash flows it can produce, so regardless of capital market conditions, we as a firm can generate significant operating cash flow.

The appealing growth profile of the independent advisory and brokerage business has been a key factor in setting our strategic path. The independent channel plays an important role in providing independent retail advice, financial planning and investment solutions to “Main Street” Americans - “mass affluent” households and individuals, which we define as individuals and households with $100,000 to $1,500,000 in investible assets. We believe that this market is underserved by the wirehouse and regional brokerage firms. As of December 31, 2019, our independent advisory and brokerage business served clients with $188 billion in assets under administration through our approximately 4,400 financial advisors.

The independent advisory and brokerage channel has expanded significantly over the past decade, driven in large part by demographic trends, including the graying of America, the retirement of the baby boomer generation and the expected transfer of retirement assets from 401(k) and group plans to individual retirement accounts ("IRAs"). The increasing responsibility of individuals to plan for their own retirement has created demand for the financial advice provided by financial advisors in the independent channel, who are not tied to a particular firm’s proprietary products. These developments have been occurring against a backdrop of the steady migration of client assets and advisors from the wirehouse, insurance and bank channels to the independent channel.

We seek to share intellectual capital and best practices among our firms. For instance, we offer Securities America’s industry recognized Next Level practice development tools to our other advisors. Similarly, the advisors in our independent advisory and brokerage services segment have other resources to enhance their practices, including access to Ladenburg’s proprietary research, investment banking and capital markets services, fixed income trading and syndicate products, Premier Trust’s trust services, Highland’s insurance and annuity solutions and LTAM’s wealth management solutions.

Ladenburg is a full service registered broker-dealer that has been a member of the New York Stock Exchange (“NYSE”) since 1879. It 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, asset management, brokerage and trading professionals.

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

Premier Trust, a Nevada trust company, provides trust administration of personal and retirement accounts, estate and financial planning, wealth management and custody services. We acquired Premier Trust to provide our network of independent financial advisors with access to a broad array of trust services. This, together with our Highland acquisition, were important strategic steps in our efforts to meaningfully differentiate our independent advisory and brokerage platform by the breadth of the resources and services we offer to our advisors.

Highland is a leading independent insurance brokerage firm 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.

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 ("MSRB") and is a member of the Securities Investor Protection Corporation ("SIPC"). 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.

We were incorporated under the laws of the State of Florida in February 1996.

Available Information

Our securities filings, including our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statements and reports filed by our officers and directors under Section 16(a) of the Exchange Act, and any amendments to those filings, are available, free of charge, on our website, *www.ladenburg.com*, as soon as reasonably practicable after we electronically file or furnish such material with the SEC.

We do not intend for information contained in our website, or those of our subsidiaries, to be a part of this annual report on Form 10-K. In February 2004, our board of directors adopted a code of ethics that applies to our directors, officers and employees as well as those of our subsidiaries. We will provide to any person, without charge, a copy of our code of ethics. Requests for copies of our code of ethics should be sent in writing to Ladenburg Thalmann Financial Services Inc., 4400 Biscayne Blvd., 12th Floor, Miami, FL 33137, Attn: Secretary. Our code of ethics is also available, free of charge, on our website. Any amendments to or waivers from a provision of this code of ethics will be posted on our website.

Caution Concerning Forward-Looking Statements and Risk Factors

This annual report on Form 10-K includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations or beliefs and are subject to uncertainty and changes in circumstances. Actual results may vary materially from the views expressed in the forward-looking statements contained in this report due to changes in economic, business, competitive, strategic and/or regulatory factors, and other factors affecting the operation of our businesses. For more detailed information about these factors, and risk factors about our operations, see Item 1A. “Risk Factors,” and Item 7. “Management’s Discussion and Analysis of Results of Operations and Financial Condition — Special Note Regarding Forward-Looking Statements” below.

You should note that forward-looking statements in this document speak only as of the date of this annual report on Form 10-K. We expressly disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, subsequent events or otherwise, except as required by law.

Business Segments

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 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 provides marketing strategies, product expertise, and back-office processing for fixed and equity-indexed annuities. See Note 21, "Segment Information," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for information regarding revenue, income (loss) before income taxes, EBITDA, as adjusted, identifiable assets, depreciation and amortization, interest, capital expenditures, and non-cash compensation for our three operating segments.

Independent Advisory and Brokerage Services Segment

Overview

Securities America, Triad, SSN, Investacorp and KMS are independent broker-dealers and registered investment advisors, whose independent contractor financial advisors offer advisory and securities brokerage services to their clients, which may include advisor managed accounts, general securities such as equities, fixed income and options, as well as packaged products such as mutual funds and variable and fixed annuities. Revenues generated by our independent advisory and brokerage services segment represented approximately 82%, 83% and 90% of our total revenues for 2019, 2018 and 2017, respectively.

We believe that the financial services industry is experiencing an increase in the percentage of retail client assets held at independent broker-dealers and registered investment advisors as the market share of retail assets declines at large national firms. New independent financial advisors require client and back office support services and access to technology and often affiliate with an independent advisory and brokerage firm. We expect this trend to continue and possibly accelerate in the future. Also, financial advisors at banks and credit unions often affiliate with independent broker-dealers. Securities America’s Financial Institutions Division delivers a diverse selection of investment and insurance products, detailed, hands-on professional development, and a fully integrated technology platform customized to meet the unique reporting needs of financial advisors located within banks and credit unions.

A financial advisor who becomes affiliated with one of our independent advisory and brokerage firms generally establishes his or her own office and is solely responsible for the payment of all expenses associated with the operation of the branch office (including rent, utilities, furniture, equipment, quotation systems, employee wages and benefits and general office supplies). The size of each branch office is typically between 1 and 15 advisors, but may be substantially larger. All of a branch's revenues from advisory services and securities brokerage transactions conducted through our brokerage firms accrue to our brokerage firms. Because an independent financial advisor bears the responsibility for his or her operating expenses, the financial advisor receives a significant percentage of the commissions or advisory fees he or she generates, typically approximately 90%. This compares with a payout rate of approximately 30% to 50% to financial advisors working in a traditional wirehouse brokerage setting where the brokerage firm bears substantially all of the sales force costs, including providing employee benefits, office space, sales assistants, telephone service and supplies. The independent advisory and brokerage model permits our independent advisory and brokerage subsidiaries to expand their revenue base and retail distribution network of investment products and services without either the capital expenditures that would be required to open company-owned offices, or the additional administrative and other costs of hiring financial advisors as in-house employees.

An independent financial advisor must possess a sufficient level of business experience to enable the individual to independently operate his or her own office. Insurance agents, financial planners, accountants and other financial professionals, who already provide financial services to their clients, often affiliate with independent advisory and brokerage firms. These professionals then offer financial products and services to their clients through an independent advisory and brokerage firm and earn commissions and fees for these transactions and services. These financial advisors have the ability to structure their own practices and to focus in different areas of the investment business, subject to supervisory procedures as well as compliance with all applicable regulatory requirements.

Many independent financial advisors provide financial planning services to their clients, wherein the financial advisor evaluates a client's financial needs and objectives, develops a detailed plan, and then implements the plan with the client's approval. When the implementation of such objectives involves the purchase or sale of securities (including the placement of assets within a managed account), such transactions may be effected through a brokerage firm, for which such brokerage firm earns either a commission or a fee. Representatives may be permitted to conduct other approved businesses unrelated to their brokerage or advisory activities, such as offering fixed insurance products and accounting, estate planning and tax services, among others.

Each financial advisor is required to obtain and maintain in good standing each license required by the SEC and FINRA to conduct the type of securities or advisory business in which he or she engages, and to register in the various states in which he or she has customers. Each of our independent brokerage firms is responsible for supervising all of its financial advisors wherever they are located. We can incur substantial liability from improper actions of any of these financial advisors. See Item 1A. "Risk Factors - Risks Relating to our Business" below. Our investment advisory representatives conduct their business either through our corporate registered investment advisors ("RIA") or through separate entities ("Hybrid RIAs"). Hybrid RIAs operate under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), or their respective states' investment advisory license rules. Advisory assets for Hybrid RIAs are generally held in custody at various third-party custodial firms and we collect certain administrative fees for value-added services provided. Advisors associated with Hybrid RIAs generally carry their brokerage license with one of our independent brokerage firms.

Many of our independent financial advisors are also authorized agents of insurance companies. Our independent advisory and brokerage firms process non-registered insurance business through subsidiaries or sister companies that are licensed insurance brokers, as well as through licensed third-party insurance brokers. We are not an insurance company, and we retain no insurance risk related to insurance or annuity products.

Our independent financial advisors also may provide consultation and financial planning services including: estate planning, retirement and financial goal planning, educational funding, asset allocation and insurance needs analysis, as well as general analysis and planning. These financial advisors may prepare a written financial plan based upon the client's stated goals, needs and investment profile.

Brokerage Business

Each of our independent advisory and brokerage firms provides full support services to its financial advisors, including: access to stock, bond, exchange-traded fund ("ETF") and options execution; products such as insurance, mutual funds, alternative investments such as non-traded real estate investment trusts, unit trusts and fixed and variable annuities; and research, compliance, supervision, accounting and related services.

An increasing number of clients are electing asset-based advisory fee platforms rather than the traditional commission schedule. Accordingly, our independent advisory and brokerage firms derive a majority of their revenue from advisory fees, rather than commissions charged on variable annuity, mutual fund, equity and fixed income transactions.

Asset Management Business

Our independent advisory and brokerage firms offer various accounts, some of which are managed by our financial advisors, and others that are managed by third parties. The advisor managed accounts offer various account structures, including fee-based and “wrap fee” accounts. For financial advisors who prefer not to act as portfolio managers, third-party management options are available. These options employ managers who select diversified, fee-based asset management investment portfolios based on a client’s needs and risk profile. The types of portfolios may include separately managed portfolios, multi-managed accounts, and mutual fund and ETF model portfolios. These portfolios may also include portfolio analytics, performance reporting and position-specific reporting.

Premier Trust

Founded in 2001, Premier Trust is a Nevada-chartered trust company headquartered in Las Vegas, Nevada, with more than$1.5 billion in assets under administration at December 31, 2019. Premier Trust provides trust administration of personal and retirement accounts, estate and financial planning, wealth management and custody services. Working in combination with a client’s legal and other professional advisors, Premier Trust’s professionals assist with every aspect of planning, including income and estate taxes, retirement, succession of the family business, transferring assets to future generations and asset protection.

Ladenburg Segment

Ladenburg Thalmann Asset Management

LTAM is a registered investment advisor, which provides access to:

- expert wealth management advice;
- market analysis;
- due diligence;
- fund selection and asset allocation; and
- diversification strategies.

LTAM offers various asset management products utilized by Ladenburg clients, as well as clients of our independent brokerage firms' financial advisors and clients of Premier Trust. LTAM serves as our internal wealth management group and plays an important role in supporting the growth of the advisory businesses at our independent firms. At December 31, 2019, LTAM had approximately $3.4 billion of assets under management and 17,200 client accounts.

Ladenburg Asset Management Program

The Ladenburg Asset Management Program ("LAMP") provides centralized management of mutual fund and exchange-traded fund portfolios based on asset allocation models. Features of the program include active rebalancing at the asset class and security level, low minimum account size, risk analysis, customized investment policy statements and comprehensive performance reporting.

Investment Consulting Services

LTAM’s Investment Consulting Services (“ICS”) provides clients with access to professional money managers who are usually available only to large institutions. Whether the client requires a complete asset allocation strategy or an investment manager for a single asset class, ICS provides access to money managers across the spectrum of major asset classes, and each of our managers has been thoroughly examined for inclusion in the ICS program. Once a manager has been added to the platform, it is regularly reviewed in order to ensure that it represents a suitable solution. Through ICS, LTAM services high net worth clients and institutions, such as universities, foundations and hospitals.

Fund Management

Alternative Strategies Fund

LTAM has created a closed-end interval fund, the Alternative Strategies Fund, which includes alternative investment products and allows clients to access these investments with low minimums and without having to be accredited investors. LTAM's mutual fund is comprised of a portfolio of alternative investments in more than ten asset classes, including, among others, REITs, MLPs, and BDCs.

Ladenburg Funds

LTAM is the investment adviser to five funds collectively called the Ladenburg Funds. The five Ladenburg Funds are the Ladenburg Income Fund, the Ladenburg Income & Growth Fund, the Ladenburg Growth & Income Fund, the Ladenburg Growth Fund, and the Ladenburg Aggressive Growth Fund.

Each of the Ladenburg Funds is an open end fund of funds that primarily invests in a combination of equity, fixed income and alternative strategy ETFs, exchange-traded notes ("ETNs") and mutual funds. The Ladenburg Funds employ the same investment strategies and features as the ones LTAM employs in managing separate client accounts in LAMP.

Private Investment Management

The Private Investment Management program allows internal managers, for an annual asset-based fee, to provide portfolio services to clients on a discretionary basis with specific styles of investing.

Retirement Plan Sponsor Services

LTAM provides investment consulting services to sponsors of retirement plans, such as 401(k) plans. These services include: identifying mutual funds and ETFs for the plan sponsor's review and final selection based on the selection criteria stated in the plan's investment policy statement; assisting in the planning of, and participating in, enrollment and communication meetings; and providing to the plan sponsor quarterly performance reports of the funds for the purpose of meeting the plan fiduciary's obligation to monitor plan assets. Certain plan participants also may engage LTAM to manage their plan assets on a discretionary basis.

Alternative Investments

LTAM provides high net worth clients and institutional investors the opportunity to invest in proprietary and third- party alternative investments. These include, but are not limited to, hedge funds, funds of funds, private equity, venture capital and real estate.

Ladenburg Architect Program

LTAM provides its customers with the Ladenburg Architect Program as a non-discretionary, fee-based, advisory account that allows customers to maintain control over the management of the account and select from a diverse group of securities.

Third-Party Advisory Services

Together with its affiliates, LTAM may also provide advisory services, ranging from proprietary investment solutions to access to professional money managers for the clients of the registered investment advisors of our brokerage subsidiaries.

Ladenburg Thalmann & Co.

Ladenburg is a full-service brokerage firm that provides investment research, investment banking and sales and trading to its corporate and institutional clients and high net-worth individuals.

Investment Research

We believe that Ladenburg's research department takes a fresh, critical approach to analyzing primary sources and developing proprietary research. Many individuals, institutions, portfolio managers and hedge fund managers, on all levels, have been neglected by brokerage firms that ignore the demand for unbiased research for small and mid-cap companies. Ladenburg provides a branded in-depth research product. Ladenburg's research department focuses on investigating investment opportunities by utilizing fundamental, technical and quantitative methods to conduct in-depth analysis. Currently, our research department provides research coverage on approximately 201 companies and closed-end funds. Our research department specializes in small- to mid-cap companies in the energy exploration and production, biotechnology, personalized medicine, medical devices, specialty pharmaceutical, healthcare services, medical technology and internet and software services industries; MLPs, BDCs and mortgage and equity REITs; and other companies on a special situations basis. Ladenburg's research coverage may expand to additional sectors in the future. Ladenburg provides its research on a fee basis to certain institutional accounts and makes it available to the financial advisors at all of our subsidiaries.

Our research department:

- reviews and analyzes general market conditions and industry groups;
- issues written reports on companies;
- furnishes information to retail and institutional customers; and
- responds to inquiries from customers and advisors.

Investment Banking Activities

Ladenburg's investment banking professionals provide corporate finance and strategic and financial advisory services to public and private companies, primarily those companies with market capitalizations below $500 million, which we refer to as middle-market companies.

Ladenburg provides these middle-market companies with capital raising and strategic advisory services throughout their growth cycles. Ladenburg offers its clients a high level of attention from senior personnel and has designed its organizational structure so that the investment bankers who are responsible for securing and maintaining client relationships also actively participate in providing all related transaction execution services to those clients. Ladenburg's 18 investment banking professionals serve clients nationwide and worldwide.

Corporate Finance

Ladenburg's corporate finance group provides capital origination services and merger and acquisition advice primarily to middle-market companies. Ladenburg's investment bankers develop financing strategies, transaction structures and financing instruments for its corporate clients. Ladenburg offers a broad range of financing options including underwritten public offerings, registered direct offerings, at-the-market offerings, PIPEs (private investment in public equity) and other private placements. Ladenburg's ability to effectively structure offerings and to identify likely buyers of such offerings makes it a valuable advisor to small and middle-market companies. Although the capital markets are not consistently favorable, we expect that Ladenburg will participate in follow-on offerings, CMPOs (confidentially marketed public offerings), registered direct offerings, PIPEs and other private placements to generate corporate finance revenues. We believe there is a significant opportunity for continued growth in the CMPO, registered direct and PIPEs areas given issuers' desire to identify and pursue faster and less costly financing alternatives to traditional follow-on offerings and institutional investors' continuing interest in these financing transactions. Further, we believe the establishment of relationships with issuers through our capital raising efforts will lead to additional investment banking services, including further capital raising, and other advisory services. In 2019, Ladenburg participated in 83 underwritten offerings that raised an aggregate of approximately $15.4 billion. In 2019, Ladenburg placed 26 registered direct and PIPE offerings, which raised an aggregate of approximately $2.3 billion for clients in the health-care, biotechnology, energy and other industries. Since 2017, Ladenburg has participated as a manager in 310 offerings, which raised over $33.5 billion.

Ladenburg seeks to capitalize on its distribution network by focusing on yield-oriented equities, which have been attractive to both institutional and retail investors. The yield-oriented equity business has developed in recent years in response to the low interest rate environment.

Our yield-oriented equity bankers focus primarily on three specific areas: mortgage and equity real estate investment trusts (REITs), business development companies (BDCs) and master limited partnerships (MLPs). Ladenburg has become a leader in syndicating these products to institutional investors as well as other retail and independent firms. Since 2017, Ladenburg has participated as a manager in 125 offerings of these products, which raised over $16.3 billion.

Similarly, Ladenburg also has dedicated investment bankers focused on healthcare and biotechnology companies as well as the energy and technology sectors. From 2017 through 2019, Ladenburg participated as a manager in 111 offerings in the healthcare and biotechnology sectors, which raised over$5.3 billion.

Strategic and Financial Advisory Services

Ladenburg advises clients on a wide range of strategic and financial issues. When Ladenburg advises a company in the potential acquisition of another company, business or assets, its services include evaluating potential acquisition targets, providing valuation analyses, evaluating and proposing financial and strategic alternatives and rendering, if appropriate, fairness opinions. Ladenburg also may provide advice regarding the timing, structure, financing and pricing of a proposed acquisition and may assist in negotiating and closing the acquisition. Ladenburg's buy-side and sell-side mandates often require the firm to leverage its extensive relationships and capital markets expertise. These mandates generally have a limited duration so Ladenburg seeks to develop new engagements from existing and prior clients, as well as their legal and other advisors.

Ladenburg has extensive expertise in providing fairness opinions that often are necessary or requested in a variety of situations, including mergers, acquisitions, restructurings, financings and privatizations. Ladenburg provides fairness opinions and analyses to boards of directors, independent committees of boards of directors and shareholders. The firm also provides independent, third-party advice in connection with mergers, acquisitions, leveraged buyouts and restructurings, going-private transactions and certain other market activities.

Sales and Trading

Ladenburg’s private client services and institutional sales departments charge commissions to their individual and institutional clients for executing securities trading orders.

Ladenburg’s sales and trading operation distributes our investment research product and communicates our proprietary investment recommendations to our growing base of institutional investors. Also, our sales and trading staff executes equity trades on behalf of our clients and sells the securities of companies for which we act as an underwriter.

Ladenburg's fixed income trading desk, Ladenburg Fixed Income (LFIX), works with our financial advisors to develop fixed income solutions for clients based on individualized client needs. We believe LFIX strengthens the value proposition of our brokerage platform and is a natural complement to Ladenburg’s efforts in yield-oriented equities because many of the same companies to which Ladenburg provides investment banking services are also potential fixed income issuers.

We have established a broad institutional client base through a consistent focus on the investment and trading objectives of our clients. Our sales and trading professionals work closely with our investment research staff to provide insight and differentiated investment advice to institutional clients nationwide.

We believe that our investment research features proprietary themes and actionable ideas about industries and companies that are not widely evaluated by many other investment banks that do not have our middle-market emphasis. In recent years, many investment banks have reduced investment research coverage and market making activities for companies with market capitalizations below certain thresholds. However, we continue to commit research and sales and trading resources to smaller-capitalization companies with the belief that institutional investors will value such specialized knowledge and service.

Our sales and trading personnel are also central to our ability to market equity offerings and provide after-market support. Our equity capital markets group manages the syndication, marketing, execution and distribution of equity offerings. Our syndicate activities include managing the marketing and order-taking process for underwritten transactions and conducting after-market stabilization and initial market making. Our syndicate staff is also responsible for developing and maintaining relationships with the syndicate departments of other investment banks.

Investment Activities

Ladenburg may, from time to time, seek to realize investment gains by purchasing, selling and holding securities for its own account, including through LFIX. Ladenburg may also from time to time engage for its own account in the arbitrage of securities. We are required to commit the capital necessary for use in these investment activities. The amount of capital committed at any particular time will vary according to market, economic and financial factors, including the other aspects of our business. Also, Ladenburg regularly receives shares or warrants that entitle it to purchase securities of the corporate issuers for which it raises capital or provides advisory services.

Administration, Operations, Securities Transactions Processing and Customer Accounts

Our broker-dealer subsidiaries do not hold funds or securities for their customers. Instead, each of Ladenburg, Triad and Investacorp use the services of Fidelity Clearing & Custody Solutions ("Fidelity"), a Fidelity Investments® company, as its clearing agent on a fully disclosed basis. Each of Securities America and SSN use the services of Fidelity and Pershing LLC ("Pershing"), a subsidiary of the Bank of New York Mellon Corporation, as its clearing agents on a fully disclosed basis. KMS uses the services of Pershing as its clearing agent on a fully disclosed basis. The clearing agents process all securities transactions and maintain customer accounts on a fee basis. SIPC coverage protects client accounts up to $500,000 per customer, including up to $250,000 for cash.

Each of Fidelity and Pershing also maintains excess securities bonds, “Excess SIPC,” providing additional protection. Clearing agent services include billing, credit control, and receipt, custody and delivery of securities. The clearing agent provides operational support necessary to process, record and maintain securities transactions for the brokerage activities of our broker-dealer subsidiaries. The clearing agent also lends funds to customers of our broker-dealer subsidiaries through the use of margin credit. These loans are made to customers on a secured basis, with the clearing agent maintaining collateral in the form of saleable securities, cash or cash equivalents. We have agreed to indemnify each clearing agent for losses it may incur on these credit arrangements.

Insurance Brokerage Segment

The insurance brokerage segment includes the wholesale insurance brokerage and annuity marketing activities conducted by Highland, which delivers life insurance, fixed and equity indexed annuities, as well as 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.

Highland operates through a brokerage general agency model that provides brokers, typically either independent life insurance advisors or institutions, support as needed. The independent life insurance advisors or institutions then distribute life insurance products and services directly to individual clients. Highland provides its partners with access to major insurance carriers, advanced planning support, expertise in risk underwriting, back office processing and point of sale support, if needed. Highland generally receives allowances paid by the insurance carrier for facilitating the placement of the product. The amount of the allowance is a percentage of the product premium. Revenue tends to be concentrated in the year that the policy is originated. Historically, revenue in the wholesale life brokerage business is weighted towards the fourth quarter as clients finalize tax-planning decisions at year end.

Seasonality and Cyclical Factors

Seasonality generally does not impact our results. Our revenues may be adversely affected by cyclical factors, such as financial market downturns and low interest rates, as well as downturns or recessions in the United States or global economies. These downturns may cause investor concern, which may result in fewer investment banking transactions, lower asset values and less investing by institutional and retail investors, thereby reducing our revenues and potential profits. Such conditions might also expose us to the risk of being unable to raise additional capital to offset related significant reductions in revenues.

Competition

We encounter intense competition in all aspects of our business and compete directly with many other providers of financial services for clients as well as financial advisors. We compete directly with many national and regional full service financial services firms, other independent brokerage firms, investment advisors, discount brokers, brokerage subsidiaries of major commercial bank holding companies, insurance companies and other companies offering financial services in the United States, globally, and through the Internet.

Many of our competitors have significantly greater financial, technical, marketing and other resources than we do. Also, many firms offer discount brokerage services and generally effect transactions at substantially lower commission rates on an “execution only” basis, without offering other services such as financial planning, investment recommendations and research. Moreover, there is substantial commission discounting by full-service brokerage firms competing for institutional and retail brokerage business.

A growing number of brokerage firms offer online trading and web-based financial services, usually with lower levels of service, which has further intensified the competition for retail brokerage customers. Our brokerage subsidiaries currently do not offer any online trading services to their customers, although they offer online account access so their customers can review their account balances and activity. Our brokerage subsidiaries also provide access to a proprietary online wealth management tool.

Competition also is increasing from other financial institutions, notably banking institutions, insurance companies and other organizations, which offer customers some of the same services and products presently provided by securities firms. We seek to compete through the quality of our financial advisors and investment bankers, our level of service, the products and services we offer and our expertise in certain areas.

There is significant competition for qualified personnel in the financial services industry. Our ability to compete effectively depends on attracting, retaining and motivating qualified financial advisors, investment bankers, trading professionals, portfolio managers and other revenue-producing or specialized personnel.

Government Regulation

The securities industry, including our business, is subject to extensive regulation by the SEC, state securities regulators and other governmental regulatory authorities. We are also regulated by industry self-regulatory organizations, including FINRA and the MSRB. The principal purpose of these regulations is the protection of customers and the securities markets. The SEC is the federal agency charged with the administration of the federal securities laws. Much of the regulation of broker-dealers, however, has been delegated to self-regulatory organizations, principally FINRA. These self-regulatory organizations adopt rules, subject to approval by the SEC, which govern their members and they conduct periodic examinations of member firms’ operations.

Securities firms are also subject to regulation by state securities commissions in the states in which they are registered. Each of Securities America, Triad, SSN, Investacorp, KMS and Ladenburg is a registered broker-dealer with the SEC. Each such firm is licensed to conduct activities as a broker-dealer in all 50 states. Ladenburg is a member firm of the NYSE.

The regulations to which broker-dealers are subject cover many aspects of the securities industry, including:

- sales methods and supervision;
- trading practices among broker-dealers;
- use and safekeeping of customers’ funds and securities;
- capital structure of securities firms;
- record keeping;
- conduct of directors, officers and employees; and
- advertising, including regulations related to telephone solicitation.

As registered investment advisors under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), our investment advisory subsidiaries are subject to the regulations under both the Advisers Act and certain state securities laws and regulations. Such requirements relate to, among other things:

- limitations on the ability of investment advisors to charge clients performance-based or non-refundable fees;
- record-keeping and reporting requirements;
- disclosure requirements;
- limitations on principal transactions between an advisor or its affiliates and advisory clients; and
- general anti-fraud prohibitions.

Additionally, our investment advisory subsidiaries are subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), administered by the Employee Benefits Security Administration (“EBSA”) of the U.S. Department of Labor ("DOL"), for accounts that are ERISA-covered pension plans. These plans include defined benefit pension plans and individual account plans, such as 401(k) plans. ERISA imposes certain duties on persons who are fiduciaries (as defined in Section 3(21) of ERISA) and prohibits certain transactions involving ERISA plans and fiduciaries or other service providers to such plans. Failure to comply with the ERISA requirements could result in significant monetary penalties and could severely limit the ability of our investment advisory subsidiaries to act as fiduciaries.

Additional legislation, changes in rules promulgated by the SEC and by self-regulatory bodies and changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers. In June 2019, the SEC adopted Regulation Best Interest, which will become effective on June 30, 2020. Regulation Best Interest, among other things, requires broker-dealers to act in the best interest of retail customers when making a recommendation concerning a securities transaction or investment strategy involving securities, and to identify, disclose and mitigate or eliminate material conflicts of interest arising from financial incentives associated with such recommendations. We anticipate incurring additional costs to review and modify our broker-dealer subsidiaries’ policies and procedures to provide for an enhanced suitability review, additional disclosures to clients under a prescribed Form CRS, more specific fee disclosures and a more comprehensive disclosure of material conflicts of interest. Regulation Best Interest may affect our business in ways that cannot now be anticipated and may further impact the products and services offered by our financial advisors. It may also negatively impact our results of operations, including the impact of increased legal, compliance, information technology and other costs. Also, we may face enhanced legal risks in connection with compliance with Regulation Best Interest.

Also, a number of states are in varying stages of adopting and implementing laws and regulations that would impose a fiduciary duty on broker dealers and investment advisers under state law. In February 2020, the Massachusetts Securities Division adopted regulations that would raise the standard of conduct applicable to broker-dealers and their agents (the “MA Fiduciary Rule”), which became effective on March 6, 2020. The MA Fiduciary Rule, and any additional state fiduciary duty laws or regulations that may take effect in 2020, may also negatively impact our results of operations, and may result in increased legal, compliance, information technology and other costs, as well as increased legal risks.

The SEC and the self-regulatory bodies may conduct administrative proceedings which can result in censure, fine, suspension or expulsion of a broker-dealer, its officers, employees or financial advisors. As a result of the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), our financial advisors may in the future become subject to a fiduciary standard of conduct in connection with their broker-dealer activities that is no less stringent than what is currently applied to investment advisers under the Advisers Act. We continue to see enhanced legislative and regulatory interest regarding retirement investing and financial advisors, including proposed rules, regulatory priorities or general discussion around transparency and disclosure in advisor compensation and recruiting, identifying and managing conflicts of interest and enhanced data collection.

Premier Trust is subject to regulation by the Nevada Department of Business and Industry Financial Institutions Division.

Highland is subject to regulation by various regulatory bodies, including state attorneys general and insurance departments.

The USA PATRIOT Act of 2001 (the “PATRIOT Act”) contains anti-money laundering and financial transparency laws and mandates the implementation of various regulations applicable to broker-dealers and other financial services companies. Financial institutions subject to the PATRIOT Act generally must have anti-money laundering procedures in place, implement specialized employee training programs, designate an anti-money laundering compliance officer and be subject to periodic audits by an independent party to test the effectiveness of such compliance. We have established policies, procedures and systems designed to comply with these regulations.

Regulation regarding privacy and data protection continues to increase worldwide and is generally being driven by the growth of technology and related concerns about the rapid and widespread dissemination and use of information. To the extent applicable to us, we must comply with these global, federal, and state information-related laws and regulations, including, for example, those in the United States, such as the 1999 Gramm-Leach-Bliley Act, SEC Regulation S-P and the Fair Credit Reporting Act of 1970, as amended.

Net Capital Requirements

Approximately 34% of our total assets at December 31, 2019 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. A relatively small percentage of our total assets are fixed. The total assets or the individual components of total assets may vary significantly from period to period because of changes relating to economic and market conditions.

Our registered broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule 15c3-1, which we refer to as the Net Capital Rule. The Net Capital Rule requires that broker-dealers maintain minimum net capital and is designed to measure the general financial integrity and liquidity of a broker-dealer. Net capital is defined as the net worth of a broker-dealer, subject to certain adjustments, and may be calculated in one of two ways. In computing net capital, various adjustments are made to net worth which exclude assets not readily convertible into cash. Also, the regulations require that certain assets, such as a broker-dealer's position in securities, be valued in a conservative manner to avoid inflation of the broker-dealer's 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 the Net Capital Rule and at December 31, 2019, each, had a $250,000 minimum net capital requirement. At December 31, 2019, Securities America had regulatory net capital of approximately $12,467,000, Triad had regulatory net capital of approximately $9,916,000, Investacorp had regulatory net capital of approximately $10,079,000, KMS had regulatory net capital of approximately $7,240,000, SSN had regulatory net capital of approximately $8,149,000 and Ladenburg had regulatory net capital of approximately $24,883,000.

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 a clearing broker on a fully disclosed basis.

Also, funds invested as equity capital may not be withdrawn, nor may any unsecured advances or loans be made to any stockholder of a registered broker-dealer, if, after giving effect to the withdrawal, advance or loan and to any other withdrawal, advance or loan as well as to any scheduled payments of subordinated debt that are scheduled to occur within six months, the net capital of the broker-dealer would fall below 120% of the minimum dollar amount of net capital required or the ratio of aggregate indebtedness to net capital would exceed 10 to 1. Further, any funds invested in the form of subordinated debt generally must be invested for a minimum term of one year and repayment of such debt may be suspended if the broker-dealer fails to maintain certain minimum net capital levels. For example, scheduled payments of subordinated debt are suspended in the event that the ratio of aggregate indebtedness to net capital of the broker-dealer would exceed 12 to 1 or its net capital would be less than 120% of the minimum dollar amount of net capital required. The net capital rule also prohibits payments of dividends, redemption of stock and the prepayment, or payment in respect of principal or subordinated indebtedness if net capital, after giving effect to the payment, redemption or repayment, would be less than the specified percentage (120%) of the minimum net capital requirement.

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 stockholder's equity of at least $1,000,000, including at least $250,000 in cash. At December 31, 2019, Premier Trust had stockholder's equity of approximately $4,072,000, including at least $250,000 in cash.

Failure to maintain the required net capital may subject a firm to fines, suspension or expulsion by FINRA, the SEC and other regulatory bodies and ultimately may require its liquidation. 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 could limit our ability to pay dividends and repay debt.

In the past, Ladenburg has entered into temporary subordinated loan arrangements to borrow funds on a short-term basis to supplement Ladenburg's capital to allow it to facilitate underwriting transactions.

Personnel

At December 31, 2019, we had 1,510 full-time employees. No employees are covered by a collective bargaining agreement. We consider our relationship with our employees to be good.

ITEM 1A. ***RISK FACTORS.***

You should carefully consider all of the risks described below regarding our company. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. Additional risks and uncertainties not currently known to us or that we currently deem immaterial also may materially and adversely affect our business operations.

Risk Factors Relating to Our Business

Damage to our reputation could adversely impact our business.

Maintaining our reputation is critical to our ability to attract and retain financial advisors, clients and employees, and our failure, or perceived failure, to appropriately operate our business or deal with matters that give rise to reputational risk may materially and adversely harm our business, prospects and results of operations.

Those matters giving rise to reputational risk include the risks discussed in this Item 1A, as well as appropriately dealing with legal and regulatory requirements, anti-money-laundering practices, privacy, record keeping, and sales and trading practices, as well as our proper identification of the legal, reputational, credit, liquidity, and market risks inherent in financial products. Also, our inability to sell securities that we have underwritten on expected terms, including anticipated prices, could result in reputational damage that results in our loss of investment banking business, which would adversely impact our Ladenburg segment. Our failure to deliver appropriate standards of service and quality, or our failure or perceived failure to treat clients fairly, could result in customer dissatisfaction, litigation and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs and harm to our reputation. Further, negative publicity regarding us or our financial advisors, whether or not true, may be detrimental to our business.

Changing conditions in financial markets and the economy could adversely affect our financial condition and results of operations.

Our financial results have been adversely affected by turmoil in the financial markets in the past and may again be impacted in the future. As a financial services firm, changes in the financial markets or economic conditions in the United States and elsewhere in the world could materially adversely affect our business in many ways, including the following:

- a market downturn could lead to a decline in the volume of transactions executed for customers and, therefore, to a decline in the revenues we receive from commissions and spreads;

- low interest rates adversely impact service fee revenues received from our clearing firms and other cash sweep programs;

- adverse changes in the market could lead to a reduction in revenues from asset management fees. Even in the absence of a market downturn, below-market investment performance by portfolio managers could reduce asset management revenues and assets under management and result in reputational damage that might make it more difficult to attract new investors;

- unfavorable financial or economic conditions could reduce the number and size of transactions in which we provide underwriting, financial advisory and other services. Our investment banking revenues, in the form of financial advisory and underwriting or placement fees, are directly related to the number and size of the transactions in which we participate and therefore could be adversely affected by unfavorable financial or economic conditions;

- increases in credit spreads, as well as limitations on the availability of credit, can affect our ability to borrow on a secured or unsecured basis, which may adversely affect our liquidity and results of operations;

- adverse changes in the market could lead to losses from principal transactions. To the extent that we own assets, i.e., have long positions, a downturn in the market could result in losses from a decline in the value of those long positions. Conversely, to the extent that we have sold assets that we do not own, i.e., have short positions, an upturn in the market could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market; and

- new or increased taxes on compensation payments such as bonuses or securities transactions may adversely affect our financial results.

We have incurred, and may again incur, losses.

We incurred losses in 2019, 2018, 2017 and in various prior years, some of which were significant. We cannot assure you that we will achieve profitability or have positive cash flow on either a quarterly or annual basis. If we are unable to achieve and sustain our profitability, it would have a material adverse effect on our business and results of operations.

We have a significant amount of debt and preferred stock outstanding, which limits cash flow available for operations and may impair our ability to obtain additional financing.

As of December 31, 2019, our total debt was approximately $315 million and we had 17,401,282 shares of Series A Preferred Stock outstanding with a liquidation preference of approximately $435 million. Our substantial amount of indebtedness and preferred stock outstanding:

- requires us to dedicate a substantial portion of cash flows from operations to the payment of debt service and dividends, resulting in less cash available for operations and other purposes; and

- limits our ability to obtain additional financing for working capital, regulatory capital requirements, acquisitions or general corporate purposes.

Our substantial indebtedness also increases our vulnerability to downturns in our business or in general economic conditions. Our ability to satisfy our obligations and to reduce our total debt depends on our future operating performance. Also, there can be no assurance that we will satisfy the requirements for forgiveness of our forgivable loans from our principal clearing firm. Our future operating performance is subject to many factors, including economic, financial and competitive factors, which may be beyond our control.

As a result, we may not be able to generate sufficient cash flow, and future sales of equity or debt securities in public or private transactions may not be available to provide sufficient net proceeds to meet these obligations, which would have a material adverse effect on our business, profitability and results of operations.

We and Securities America Financial Corporation are guarantors of certain indebtedness incurred by Advisor Group, and the instruments governing such indebtedness impose significant operating and financial restrictions on us and Securities America Financial Corporation.

Following the Merger, we and Securities America Financial Corporation agreed to guarantee approximately $2.413 billion of indebtedness of Advisor Group, consisting of (i) $500 million in aggregate principal amount of 6.25% Senior Secured Notes due 2028, (ii) $413 million in aggregate principal amount of 10.75% Senior Unsecured Notes due 2027 and (iii) $1.5 billion pursuant to Advisor Group's senior secured credit facilities. The instruments governing such indebtedness impose significant operating and financial restrictions on us and Securities America Financial Corporation. These restrictions will limit our ability, subject to certain exceptions, to, among other things:

- incur or guarantee additional debt or issue disqualified stock or preferred stock;

- pay dividends and make other distributions on, or redeem or repurchase, capital stock;

- make certain investments;

- incur certain liens;

- enter into transactions with affiliates;

- merge or consolidate; and

- transfer or sell assets.

In addition, the terms of the instruments governing the outstanding 6.25% Senior Secured Notes due 2028 and 10.75% Senior Unsecured Notes due 2027 and Advisor Group's senior secured credit facilities, and our guarantees of the obligations thereunder, may place restrictions under certain circumstances on our ability to pay principal and interest on, or purchase or redeem or make any payments in respect of, the 6.5% Senior Notes, 7% Senior Notes, 7.25% Senior Notes and 7.75% Senior Notes.

As a result of these restrictions, we are limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we or Advisor Group may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we or Advisor Group will be able to obtain waivers from the lenders and/or amend the covenants. Our failure to comply with the restrictive covenants described above and/or the terms of any future indebtedness could result in an event of default, which, if not cured or waived, could result in Advisor Group or us being required to repay these borrowings before their due date. In addition, the obligations under the senior secured credit facilities and 6.25% Senior Secured Notes due 2028 are secured by substantially all of our and Securities America Financial Corporation's assets.

We depend on our ability to attract and retain financial advisors and professional employees.

From time to time, financial advisors and individuals we employ choose to leave our company to pursue other opportunities. We have experienced losses of financial advisors and trading and investment banking professionals in the past, and competition for key personnel remains intense. We cannot assure you that the loss of financial advisors and key personnel will not occur in the future. We expend significant resources in recruiting, training and retaining our financial advisors. The loss of a key financial advisor, trading or investment banking professional, or broker-dealer executive, particularly a senior banking professional or executive with significant industry contacts, or the failure to recruit productive financial advisors could materially and adversely affect our results of operations. Also, difficultly in recruiting young advisors, due to the low number of persons entering our industry, combined with the high average age of our existing financial advisors, may adversely impact our ability to retain client assets and our financial results.

Further, if we fail to replace our advisors who retire or fail to assist our retiring advisors with transitioning their practices to existing advisors, or if advisor migration away from wire houses and to independent channels decreases or slows, our business may suffer.

Misconduct by our employees and independent financial advisors, who operate in a decentralized environment, is difficult to detect and deter and could harm our business, reputation, results of operations or financial condition.

Misconduct by our employees and independent financial advisors could result in violations of law by us, regulatory sanctions and/or serious reputational or financial harm.

Misconduct could include:

- recommending transactions that are not suitable for the client or in the client's best interests;
- engaging in fraudulent or otherwise improper activity;
- binding us to transactions that exceed authorized limits;
- hiding unauthorized or unsuccessful activities, resulting in unknown and unmanaged risks or losses;
- improperly using or disclosing confidential information;
- failure, whether negligent or intentional, to effect securities transactions on behalf of clients;
- failure to perform reasonable diligence on a security, product or strategy;
- failure to supervise a financial advisor;
- failure to provide insurance carriers with complete and accurate information;
- engaging in unauthorized or excessive trading to the detriment of clients;

- engaging in improper transactions with clients;

  or

- otherwise not complying with laws or our control

  procedures.

We cannot always deter misconduct by our employees and independent financial advisors, and the precautions we take to prevent and detect this activity may not be effective in all cases. Also, our failure to properly investigate new and existing financial advisors may subject us to additional risks and liabilities.

Prevention and detection among our independent financial advisors, who are not employees of our company and tend to be located in small, decentralized offices, present additional challenges. Misconduct by our employees and independent financial advisors may have a material adverse effect on our business and results of operations.

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

The policies and procedures we employ to identify, monitor and manage risks may not be fully effective. Some methods of risk management are based on historical behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than indicated historically. Other risk management methods depend on our management's evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible. This information may not be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. We cannot assure you that our policies and procedures will effectively and accurately record and verify this information. Also, we face additional risk management challenges because many of our independent financial advisors work in small, decentralized offices.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. Nonetheless, the effectiveness of our ability to manage risk exposure can never be completely or accurately predicted or fully assured. For example, unexpectedly large or rapid movements or disruptions in one or more markets or other unforeseen developments can have a material adverse effect on our results of operations and financial condition, regardless of our risk management policies and procedures.

Poor performance of the investment products and services recommended or sold to our clients or competitive pressures on pricing of such products and services may have a material adverse effect on our business.

Our advisors' clients control their assets maintained with us. These clients can terminate their relationships, reduce the aggregate amount of assets under management or shift their funds to other types of accounts with different rate structures for any number of reasons, including investment performance, changes in prevailing interest rates, financial market performance, competitive pricing and personal client liquidity needs. Poor performance of the investment products and services recommended or sold to such clients relative to the performance of other products available in the market or the performance of other investment management firms tends to result in the loss of accounts. Competitive pricing, including from robo-advisors and higher deposit rates on cash deposits, could adversely impact our business. The decrease in revenue that could result from such an event could have a material adverse effect on our results of operations.

We may encounter difficulties integrating our business with Advisor Group and may fail to realize all of the anticipated benefits of the Merger.

Our ability to realize the anticipated benefits of our Merger with Advisor Group will depend, to a large extent, on the integration of our business with Advisor Group. The combination of two independent businesses is a complex, costly and time-consuming process. As a result, we will be required to devote significant management attention and resources to integrating our business practices and operations with the business practices and operations of Advisor Group. The integration process may disrupt our business and, if implemented ineffectively, would restrict the full realization of the anticipated benefits. The failure to meet the challenges involved in integrating the two businesses could adversely impact our business, financial condition and results of operations.

In addition, the overall integration of the businesses may result in material unanticipated problems, expenses, liabilities, loss of clients, loss of advisors and diversion of the attention of our management and employees.

In addition, even if the operations of our business and the business of Advisor Group are integrated successfully, the full benefits of the Merger may not be realized, including the synergies, cost savings, growth opportunities or cash flows that are expected, and the combined company will also be subject to additional risks that could impact future earnings. These benefits may not be achieved within the anticipated time frame, or at all, and the costs to achieve such synergies may be more than anticipated. In addition, it is possible that the integration process could result in the loss of advisors and other key employees, inconsistencies in standards, controls, procedures and policies, which adversely affect our ability to maintain relationships with existing clients, advisors and employees or to achieve the anticipated benefits of the Merger.

Systems failures could significantly disrupt our business and subject us to losses, litigation and regulatory actions.

Our business depends on our and our clearing firms' ability to process, on a daily basis, many transactions across numerous and diverse markets and the transactions we process have become increasingly complex. We rely heavily on our communications and financial, accounting and other data processing systems, including systems we maintain and systems provided by our clearing brokers and service providers. We face operational risk arising from mistakes made in the confirmation or settlement of transactions or from transactions not being properly recorded, evaluated or accounted.

If any of these systems do not operate properly or are disabled, we could suffer financial loss, a disruption of our business, liability to clients, regulatory intervention and fines or reputational damage. Any failure or interruption of our systems, the systems of our clearing brokers, or third-party trading systems could cause delays or other problems in our securities trading activities, which could have a material adverse effect on our operating results. Also, our clearing brokers provide our principal disaster recovery system. We also are implementing new technology platforms and failures in connection with such implementation may cause disruption to our operations, which could result in liability and reputational damage. We cannot assure you that we or our clearing brokers will not suffer any systems failures or interruption, including ones caused by earthquake, fire, other natural disasters, power or telecommunications failure, act of God, act of war, cyberattacks, unauthorized access, viruses, human error, terrorism, or otherwise, or that our, or our clearing brokers', back-up procedures and capabilities in the event of any such failure or interruption will be adequate.

Our operational systems and networks have been, and will continue to be, subject to evolving cybersecurity or other technological risks, which could result in the disclosure of confidential client information, loss of our proprietary information, damage to our reputation, additional costs to us, regulatory penalties and other adverse impacts.

The secure transmission of confidential information over public networks is a critical element of our operations. A portion of our business is conducted through the Internet, mobile devices and our internal computer systems. We rely on technology to provide the security necessary to effect secure transmission of confidential information over the Internet. Maintaining the integrity of these systems and networks is critical to the success of our business operations, including the retention of our advisors and their clients, and to the protection of our proprietary information and client information.

We rely on our advisors and employees to comply with our policies and procedures to safeguard confidential data. The failure of our advisors and employees to comply with such policies and procedures could result in the loss or wrongful use of their clients' confidential information or other sensitive information. The increased use of mobile and cloud technologies can heighten these and other operational risks. Also, even if we and our advisors comply with our policies and procedures, persons who circumvent security measures could wrongfully use our confidential information or the confidential information of our advisors' clients, or cause interruptions or malfunctions in our operations and we may not be able to detect such breaches for an extended period of time. During such time, we may not know the extent of the harm or how best to remediate it and certain errors or actions may be repeated or compounded before they are discovered and rectified, all or any of which would further increase the costs and consequences of a cyberattack.

To date, we have not experienced any material breaches of, or interference with, our systems and networks; however, we routinely encounter and address such threats. Our experiences with cybersecurity and technology threats have included phishing scams, introductions of malware, attempts at electronic break-ins and unauthorized payment requests. Any such breaches or interference by third parties or by our advisors or employees that may occur in the future and the failure of our controls and procedures to detect or prevent such breaches or interference could have a material adverse impact on our business, financial condition or results of operations.

Although we take protective measures and endeavor to modify them as circumstances warrant, the computer systems, software and networks may be vulnerable to unauthorized access, human error, computer viruses, denial-of-service attacks, or other malicious code and other events that could impact the security, reliability, and availability of our systems. If one or more of these events occur, this could jeopardize our own, our advisors' or their clients' or counterparties' confidential and other information processed, stored in and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our own, our advisors' or their clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures, to investigate and remediate vulnerabilities or other exposures or to make required notifications, and we may be subject to litigation, regulatory sanctions and financial losses that are either not insured or are not fully covered through any insurance we maintain.

Despite the measures we have taken and may in the future take to address and mitigate cybersecurity and technology risks, we cannot assure that our systems and networks will not be subject to breaches or interference. Any such event may result in operational disruptions, unauthorized access to, or the disclosure or loss of, our own, our advisors' or their clients' or counterparties' confidential or other information. This in turn may result in legal claims, regulatory scrutiny and liability, reputational damage, incurrence of costs to eliminate or mitigate further exposure, loss of advisors or client assets or other damage to our business. While we maintain cyber liability insurance that provides both third-party liability and first-party liability coverages, this insurance may not be sufficient to protect us against all losses. Also, the trend toward broad consumer and general public notification of such incidents could exacerbate the harm to our business, financial condition or results of operations. Even if we successfully protect our technology infrastructure and the confidentiality of sensitive data, we may incur significant expenses in connection with our responses to any such attacks and the adoption and maintenance of appropriate security measures. We also may be subject to litigation and regulatory sanctions.

We could also suffer harm to our business and reputation if attempted security breaches are publicized. We cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in our systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks and systems used in connection with our business.

We rely on clearing brokers and the termination of our clearing agreements could disrupt our business.

Each of Triad, Investacorp, KMS, and Ladenburg uses one principal clearing broker to process securities transactions and maintain customer accounts on a fee basis. Securities America and SSN use two clearing brokers to perform the same functions. Each clearing broker also provides billing services, extends credit and provides for control and receipt, custody and delivery of securities. Each of our broker-dealer subsidiaries depends on the operational capacity and ability of its clearing broker for the orderly processing of transactions. By engaging the processing services of a clearing firm, each of our broker-dealer subsidiaries is exempt from some capital reserve requirements and other regulatory requirements imposed by federal and state securities laws. If these clearing agreements were terminated for any reason, we would be forced to find alternative clearing arrangements.

We cannot assure you that we would be able to find alternative clearing arrangements on acceptable terms to us or at all. Also, the loss of a clearing firm could hamper the ability of our subsidiaries to recruit and retain their respective independent financial advisors.

Our business depends on commissions and fees generated from the distribution of financial products, and adverse changes in the structure or amount of fees or marketing allowances paid by the sponsors of these products could materially adversely affect our cash flows, revenues and results of operations.

We generate an important portion of our revenues from commissions and fees related to the distribution of financial products, such as mutual funds and variable and fixed annuities, by our independent financial advisors, and to a lesser extent, Ladenburg's financial advisors. Changes in the structure or amount of the fees or marketing allowances paid by the sponsors of these products could materially adversely affect our cash flows, revenues and results of operations.

Also, regulatory agencies and other industry participants have suggested that Rule 12b-1 distribution fees in the mutual fund industry should be reconsidered and, potentially, reduced or eliminated. The DOL, which promulgates rules related to retirement plans, has implemented rules that restrict commissions and fees on qualified retirement accounts, including IRAs, which had a negative effect on our financial results. Any further reduction or restructuring of Rule 12b-1 distribution fees could have a material adverse effect on our results of operations. In February 2018, the SEC announced a Share Class Selection Disclosure Initiative, which demonstrates the increased focus on these fees. Further, as a result of increased regulatory focus on minimizing cost differences among mutual fund share classes offered to clients, certain of our subsidiaries have, and may, rebate certain fees to clients and could be subject to additional regulatory actions.

Decreases in client assets or assets under management may decrease our revenues.

The results of operations of our independent advisory and brokerage subsidiaries depend on their level of assets under management and client assets. Assets under management balances are impacted by both the flow of client assets in and out of accounts and changes in market values. Poor investment performance by financial products and financial advisors could result in a loss of managed accounts and could result in reputational damage that might make it more difficult to attract new investors. A reduction in client assets or assets under management may cause our revenues to decline.

Our clearing firms extend credit to our clients and we are liable if the clients do not pay.

Each of our broker-dealer subsidiaries permits its clients to purchase securities on a margin basis or sell securities short, which means that the applicable clearing firm extends the client credit that is secured by cash and securities in the client's account. Market conditions, general economic conditions and issues affecting the particular securities held by a client, among other factors, could cause the value of the collateral held by the clearing firm to fall below the amount borrowed by the client. If margin requirements are not sufficient to cover losses, the clearing broker sells or buys securities at prevailing market prices, and may incur losses to satisfy client obligations. Each of our broker-dealer subsidiaries has agreed to indemnify its clearing brokers for losses they may incur while extending credit to its clients.

Significant interest rate changes, reductions in cash balances in our cash sweep programs, or the termination of our cash sweep agreements could affect our profitability and financial condition.

Our revenues are exposed to interest rate risk primarily from changes in fees payable to us from banks participating in cash sweep programs, which are based on prevailing interest rates. Our revenues from our sweep programs are negatively impacted by periods of low interest rates and by clients moving assets out of our cash sweep programs. Revenue from our cash sweep programs also depends on our ability to manage the terms of both our agreements with banks participating in our programs and program fees and interest rates payable to clients.

If our contracts with participants in cash sweep programs are terminated or expire, we may not be able to obtain contracts on similar terms, which would decrease our revenue and profitability. Also, decreases in interest rates or clients moving assets out of our cash sweep programs would decrease our revenue and profitability. We may also be limited in the amount we can reduce interest rates payable to clients in cash sweep programs and still offer a competitive return. A sustained low interest rate environment such as the current environment may negatively impact our ability to negotiate contracts on comparable terms.

A loss of our sponsorship and marketing relationships with financial product manufacturers could harm our relationship with our advisors and affect our financial condition.

We have sponsorship and marketing agreements with certain product manufacturers, including manufacturers of mutual funds, ETFs, and fixed and variable annuity products. If these manufacturers do not renew or decide to terminate these agreements, our ability to serve our advisors and our profitability may be adversely affected.

We face numerous risks and uncertainties as we expand our business.

We expect the growth of our business to come primarily from organic growth, recruiting and through acquisitions. As we expand our business, there can be no assurance that our financial controls, the level and knowledge of our personnel, our operational abilities, our legal and compliance controls and our other corporate support systems will be adequate to manage our business and our growth. The ineffectiveness of any of these controls or systems could adversely affect our business and prospects. In addition, as we acquire new businesses, we face numerous risks and uncertainties integrating their controls and systems into ours, including financial controls, accounting and data processing systems, management controls and other operations. A failure to integrate these systems and controls, and even an inefficient integration of these systems and controls, could adversely affect our business, cash flows and results of operations.

Even if we successfully complete acquisitions, we may be adversely affected if the acquired firms do not perform as expected. The firms we acquire may perform below expectations after the acquisition for various reasons, including legislative or regulatory changes that affect the products in which a firm specializes, the loss of key clients, employees and/or financial advisors after the acquisition closing, general economic factors and the cultural incompatibility of an acquired firm's management team with us. The failure of firms to perform as expected at the time of acquisition may have an adverse effect on our earnings and revenue growth rates, and may result in impairment charges and/or generate losses or charges to earnings.

The occurrence of natural disasters, terrorism, acts of war or other external events could affect our results of operation and financial condition.

The occurrence of natural disasters, including earthquakes, fires, floods, tornadoes, blackouts and pandemic or other contagious outbreaks, or man-made disasters, such as terrorism and acts of war, could have a significant impact on our ability to conduct business and adversely affect our results of operations and financial condition. Such disasters may damage our facilities and prevent our employees and financial advisors from performing their roles. Although we have established a disaster recovery plan, there is no guarantee that we would be able to operate without disruption in the event any such disaster was to occur. In addition, the emergence of a pandemic or contagious outbreak, such as the recent coronavirus outbreak, could lead to travel restrictions or other operational difficulties that could impair our ability to conduct our business. A pandemic or outbreak may also have a negative impact on our results of operation and financial condition, including due to reduced revenue from conference attendance, reduced commissions resulting from client's lowering their level of trading activity, or reduced advisory fees resulting from a sell-off in the financial markets.

We may be unable to underwrite securities due to capital limits.

From time to time, our underwriting activities may require that we temporarily receive an infusion of capital for regulatory purposes. This is predicated on the amount of Ladenburg's commitment for each underwriting. In the past, we entered into temporary subordinated loan arrangements with our shareholders or a clearing firm. Should we no longer be able to receive such funding from these sources, and if there are no other viable sources available, it would have an adverse impact on our ability to underwrite offerings, generate profits, recruit financial consultants and retain existing customers.

Risk Factors Relating to Our Industry

Credit risk exposes us to losses caused by third parties' financial or other problems.

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

These parties include:

- trading counterparties;
- customers;
- clearing agents;
- other broker-dealers;
- exchanges;
- clearing houses; and

- other financial intermediaries as well as issuers whose securities we hold.

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

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

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

Intense competition from existing and new entities may adversely affect our revenues and results of operations.

The financial services industry is rapidly evolving and intensely competitive. We expect competition to continue and intensify in the future. Many of our competitors have significantly greater financial, technical, marketing and other resources than we do. Some of our competitors also have greater name recognition and a larger base of financial advisors and clients. These competitors may be able to respond more quickly to new or changing opportunities, technologies and client requirements. They may also be able to undertake more extensive marketing activities, offer more attractive terms to clients and financial advisors, and adopt more aggressive pricing policies.

We may not be able to compete effectively with current or future competitors and competitive pressures faced by us may harm our business and may adversely affect our revenues and results of operations.

Errors and omissions claims may negatively affect our business and results of operations.

Our subsidiaries are subject to claims and litigation in the ordinary course of business resulting from alleged and actual errors and omissions in effecting securities transactions, rendering investment advice and placing insurance. These activities involve substantial amounts of money. Since errors and omissions claims against our subsidiaries or their financial advisors may allege liability for all or part of the amounts in question, claimants may seek large damage awards. These claims can involve significant defense costs. Errors and omissions could include, for example, failure, whether negligently or intentionally, to effect securities transactions on behalf of clients, to choose suitable investments for any particular client, to supervise a financial advisor or to provide insurance carriers with complete and accurate information. It is not always possible to prevent or detect errors and omissions, and the precautions our subsidiaries take may not be effective in all cases. Our liability for significant and successful errors and omissions claims may materially and negatively affect our results of operations.

We are subject to various risks associated with the securities industry, any of which could have a materially adverse effect on our business, cash flows and results of operations.

We are subject to uncertainties that are common in the securities industry. These uncertainties include:

- the volatility of domestic and international financial, bond and stock markets;
- extensive governmental regulation;
- litigation;
- intense competition;
- poor performance of investment products our advisors recommend or sell;
- substantial fluctuations in the volume and price level of securities; and
- dependence on the solvency of various third parties.

As a result, revenues and earnings may vary significantly from quarter to quarter and from year to year. In periods of low retail and institutional brokerage volume and reduced investment banking activity, profitability is impaired because certain expenses remain relatively fixed.

We are smaller and have less capital than many of our competitors in the securities industry. In the event of a market downturn, our business could be adversely affected in many ways. Our revenues are likely to decline in such circumstances and, if we are unable to reduce expenses at the same pace, our profit margins would erode.

Legal liability may harm our business.

Many aspects of our business subject us to substantial risks of liability to customers and to regulatory enforcement proceedings by state and federal regulators. We face significant legal risks in our businesses and, in recent years, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions have been increasing. In the normal course of business, our operating subsidiaries have been, and continue to be, the subject of numerous civil actions, regulatory proceedings and arbitrations arising out of customer complaints relating to our activities as a broker-dealer, as an employer or as a result of other business activities.

Dissatisfied clients often make claims against securities firms and their brokers and investment advisers for, among others, negligence, fraud, unauthorized trading, suitability, churning, failure to conduct adequate due diligence on products offered, failure to address issues arising from product due diligence, failure to supervise, breach of fiduciary duty, employee errors, intentional misconduct, unauthorized transactions, improper recruiting activity, and failures in the processing of securities transactions. These types of claims expose us to the risk of significant loss. Also, an underwriter, such as Ladenburg, is exposed to substantial liability under federal and state securities laws, other federal and state laws, and court decisions, including decisions about underwriters' liability and limitations on indemnification of underwriters by issuers.

For example, a firm that acts as an underwriter may be held liable for material misstatements or omissions of fact in a prospectus used in connection with the securities being offered or for statements made by its securities analysts or other personnel. Therefore, Ladenburg's activities may subject it to the risk of significant legal liabilities to its clients and aggrieved third parties, including stockholders of its clients who could bring securities class actions against Ladenburg. As a result, Ladenburg may incur significant legal and other expenses in defending against litigation and may be required to pay substantial damages for settlements and adverse judgments. Ladenburg's underwriting activities often involve offerings of the securities of smaller companies, which may involve a higher degree of risk and are more volatile than the securities of more established companies. In comparison with more established companies, smaller companies are also more likely to be the subject of securities class actions, to carry directors and officers liability insurance policies with lower limits or not at all, and to become insolvent. Each of these factors increases the likelihood that an underwriter of a smaller company's securities will be required to contribute to an adverse judgment or settlement of a securities lawsuit.

While we do not expect the outcome of any pending claims against us to have a material adverse impact on our business, financial condition, or results of operations, we cannot assure you that these types of proceedings, which may generate losses that significantly exceed our reserves, will not materially and adversely affect us. Also, legal or regulatory actions could cause significant reputational harm, which could in turn seriously harm our business prospects.

Risk Factors Relating to the Regulatory Environment

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

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

Each of Securities America, Triad, SSN, Investacorp, KMS and Ladenburg is a registered broker-dealer with the SEC and FINRA. 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. Broker-dealers are subject to regulations which cover all aspects of the securities business, including:

- sales methods and supervision;
- trading practices among broker-dealers;
- use and safekeeping of customers' funds and securities;
- capital structure of securities firms;
- record keeping;
- conduct of directors, officers and employees; and
- advertising, including regulations related to telephone solicitation.

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

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

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

Certain of our subsidiaries have been subject to some of the penalties listed above. The imposition of any of the penalties listed above could have a material adverse effect on our operating results and financial condition.

Extensive or frequent changes in regulations could adversely affect our business and results of operations.

The securities industry is subject to extensive and frequently changing requirements under federal and state securities and other applicable laws and self-regulatory organization rules. The SEC, FINRA, various securities exchanges and other U.S. governmental or regulatory authorities continuously review legislation and regulatory initiatives and may adopt new or revised laws and regulations. Such laws and regulations may be complex, and we may not have the benefit of regulatory or federal interpretations to guide us in compliance. Changes in laws and regulation or new interpretations of existing laws and regulations also could have an adverse effect on our methods and costs of doing business.

For example, certain state securities regulators require that investors in certain securities meet minimum income and/or net worth standards. These standards vary from state to state and change frequently. Changes to suitability standards may require us to expend resources to ensure that we and our financial advisors comply with the new standards. If a financial advisor does not satisfy the requirements with regard to suitability standards, we could be subject to substantial liability, including fines, penalties and possibly rescission. Along with suitability requirements, state regulators have also imposed limitations on an investor's exposure to direct investment programs. The breadth and scope of these limitations have varied considerably and may operate to limit the exposure that a resident of a particular state has to a product, sponsor or direct investment programs generally. These concentration limitations have been applied with increasing frequency and have increasingly targeted all direct investment programs.

Also, as another example, a number of states have adopted data breach protection laws that seek to protect individuals' personal identifying information ("PII"). These laws impose obligations that may require us to expend additional resources to ensure that we comply, which may vary from state to state. In addition, we may be subject to potential liability to individuals and to the states if we or advisors fail to take sufficient steps to protect PII and/or fail to make the required notifications or implement other required measures.

FINRA has identified rollovers of client assets from group retirement plans to IRAs as an area of increased scrutiny. FINRA has announced that its periodic regulatory examinations of broker-dealers will focus on this area, including compliance with regulations regarding suitability, conflicts of interest, disclosures to clients and supervision. This enhanced regulatory focus may discourage rollovers of assets into IRAs, which would negatively impact our results of operations. Qualified accounts, specifically IRAs, make up a significant portion of our client assets.

Additionally, the Dodd-Frank Act may impact the manner in which we operate our business and interact with regulators and many regulations under the Dodd-Frank Act have not yet been proposed or implemented. In particular, the impact of the establishment of a fiduciary standard for broker-dealers by the SEC is uncertain and may require us to expend resources to ensure that we and our financial advisors comply with the new standards.

In June 2019, the SEC adopted Regulation Best Interest concerning the standards of conduct for broker dealers and investment advisers when dealing with retail investors, which will become effective on June 30, 2020. Regulation Best Interest establishes a best interest standard of conduct for broker-dealers recommending a securities transaction or investment strategy to retail customers, including a requirement that the broker-dealer not place its interests ahead of retail customers' interests, and to identify, disclose and mitigate or eliminate material conflicts of interest arising from financial incentives associated with such recommendations. Broker-dealers and investment advisers will be required to provide retail investors with a brief form summarizing the firms' relationship with the investor. Also, broker-dealers and their associated persons will be restricted in the use of the terms "advisor" or "adviser." Regulation Best Interest may affect our business in ways that cannot now be anticipated and may further impact the products and services offered by our financial advisors, including how we receive fees, how we compensate our registered representatives, how we attract and retain registered representatives, and how we design investments and services. Implementation of Regulation Best Interest and any state laws or regulations that impose a fiduciary duty on broker dealers may affect our results, including increased expenditures on legal, compliance, information technology and other costs. Also, we may face enhanced legal risks in connection with compliance with Regulation Best Interest and any state fiduciary duty laws or regulations that may take effect.

Legislative, judicial or regulatory changes to the classification of independent contractors could increase our operating expenses.

From time to time, various legislative or regulatory proposals are introduced at the federal or state levels to change the status of independent contractors' classification to employees for either employment tax purposes (withholding, social security, Medicare and unemployment taxes) or other benefits available to employees. Currently, most individuals are classified as employees or independent contractors for employment tax purposes based on 20 "common law" factors, rather than any definition found in the Internal Revenue Code or Internal Revenue Service ("IRS") regulations. Each of Securities America, Triad, SSN, Investacorp and KMS classifies its financial advisors as independent contractors for all purposes, including employment tax and employee benefit purposes. We cannot assure you that legislative, judicial, or regulatory (including tax) authorities will not introduce proposals or assert interpretations of existing rules and regulations that would change the employee/independent contractor classification of these firms' financial advisors. The costs associated with potential changes, if any, to these independent contractor classifications could have a material adverse effect on us, including our results of operations and financial condition.

Failure to comply with capital requirements could subject us to suspension, revocation or fines by the SEC, FINRA or other regulators.

Our broker-dealer subsidiaries are subject to the SEC's Net Capital Rule, which requires the maintenance of minimum net capital. Also, under Nevada law, Premier Trust must maintain minimum stockholders' equity of at least $1,000,000, including at least $250,000 in cash. At December 31, 2019, each of our broker-dealer subsidiaries exceeded its minimum net capital requirement and Premier Trust exceeded its minimum stockholder's equity requirement. The Net Capital Rule is designed to measure the general financial integrity and liquidity of a broker-dealer. In computing net capital, various adjustments are made to net worth which exclude assets not readily convertible into cash.

The regulations also require that certain assets, such as a broker-dealer's position in securities, be valued in a conservative manner to avoid inflation of the broker-dealer's net capital. The Net Capital Rule requires a broker-dealer to maintain a minimum level of net capital. The particular levels vary depending upon the nature of the activity undertaken by a firm. Compliance with the Net Capital Rule limits those operations of broker-dealers which require the intensive use of their capital, such as underwriting commitments and principal trading activities. The rule also limits the ability of securities firms to pay dividends or make payments on certain indebtedness such as subordinated debt as it matures. A significant operating loss or any charge against net capital could adversely affect the ability of a broker-dealer to expand or, depending on the magnitude of the loss or charge, maintain its then present level of business. FINRA may enter the offices of a broker-dealer at any time, without notice, and calculate the firm's net capital. If the calculation reveals a net capital deficiency, FINRA may immediately restrict or suspend some or all of the broker-dealer's activities, including its ability to make markets. Our broker-dealer subsidiaries may not be able to maintain adequate net capital, or their net capital may fall below requirements established by the SEC and subject us to disciplinary action in the form of fines, censure, suspension, expulsion or the termination of business altogether.

Risk Factors Relating to Owning Our Securities

The price of our Series A Preferred Stock, 6.5% Senior Notes, 7% Senior Notes, 7.25% Senior Notes and 7.75% Senior Notes may fluctuate significantly, and this may make it difficult for you to resell the shares of our stock or notes at prices you find attractive.

Our Series A Preferred Stock and senior notes are no longer listed on the NYSE American. The market prices of our securities have historically fluctuated significantly, and we expect that the market price of our securities will continue to fluctuate significantly.

The market price of our Series A Preferred Stock and senior notes may fluctuate in response to numerous factors, many of which are beyond our control. These factors include:

- variations in quarterly operating results;
- general economic and business conditions, including conditions in the securities brokerage and investment banking markets;
- prevailing interest rates, increases in which may have an adverse effect on the market price of the Series A Preferred Stock and senior notes;
- trading prices of similar securities;
- the annual yield from dividends on the Series A Preferred Stock and interest on the senior notes as compared to yields on other comparable financial instruments;
- our announcements of significant contracts, milestones or acquisitions;
- our relationships with other companies;
- our ability to obtain needed capital;
- additions or departures of key personnel;
- the initiation or outcome of litigation or arbitration proceedings;
- our level of indebtedness;
- legislation or regulatory policies, practices or actions; and
- fluctuations in market prices and trading volume.

Any one of these factors could have an adverse effect on the market price of our Series A Preferred Stock or senior notes.

We are a holding company and rely on dividends, distributions and other payments, advances and transfers of funds from our subsidiaries to meet our debt service and other obligations.

We have no direct operations and derive all of our cash flow from our subsidiaries. Because we conduct our operations through our subsidiaries, we depend on those entities for dividends and other payments or distributions to meet any existing or future debt service and other obligations, including payment of dividends on our Series A Preferred Stock and interest on our senior notes.

The deterioration of the earnings from, or other available assets of, our subsidiaries for any reason could limit or impair their ability to pay dividends or other distributions to us. Also, FINRA regulations restrict dividends in excess of 10% of a member firm's excess net capital without FINRA's prior approval. Compliance with this regulation may impede our ability to receive dividends from our broker-dealer subsidiaries. In addition, any future changes to our corporate structure may inhibit our ability to service our obligations.

Our quarterly operating results may fluctuate substantially due to the nature of our business and therefore we may fail to meet profitability expectations.

Our operating results may fluctuate from quarter to quarter and from year to year due to a combination of factors, including: fluctuations in capital markets, which may affect trading activity in commission-based accounts and asset values in fee-based accounts, the level of underwriting and advisory transactions completed by Ladenburg and attrition of financial advisors. Accordingly, our results of operations may fluctuate significantly due to an increased or decreased number of transactions in any particular quarter or year.

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

The rights of our shareholders will be subject to and may be adversely affected by the rights of holders of any preferred stock that we may issue in the future. Our articles of incorporation authorize our board of directors to issue up to 50,000,000 shares of "blank check" preferred stock and to fix the rights, preferences, privilege and restrictions, including voting rights, of these shares without further shareholder approval.

Market interest rates may materially and adversely affect the value of the Series A Preferred Stock and our senior notes.

One of the factors that influences the price of the Series A Preferred Stock and the senior notes is the yield on these securities as a percentage of the market price relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of the Series A Preferred Stock and our senior notes to expect a higher yield (and higher market interest rates would likely increase our borrowing costs). Thus, higher market interest rates could cause the market price of the Series A Preferred Stock and the senior notes to materially decrease.

We may not be able to pay dividends on the Series A Preferred Stock.

Under Florida law, we may not make any distribution to our shareholders, including holders of the Series A Preferred Stock, if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business, or our total assets would be less than the sum of our total liabilities plus the amount that would be needed, if we were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferred rights are superior to those receiving the distribution. Our ability to pay cash dividends on the Series A Preferred Stock will require us to have positive net assets (total assets less total liabilities) over our capital and to be able to pay our debts as they become due in the usual course of business. In addition, the terms of the instruments governing the outstanding 6.25% Senior Secured Notes due 2028 and 10.75% Senior Unsecured Notes due 2027 and Advisor Group's senior secured credit facilities, and our guarantees of the obligations thereunder, may place restrictions under certain circumstances on our ability to pay dividends on, or purchase or redeem or make any payments in respect of, the Series A Preferred Stock, or other securities subordinated in right of payment to this indebtedness. Further, notwithstanding these factors, we may not have sufficient cash to pay dividends on the Series A Preferred Stock. Our ability to pay dividends may be impaired if any of the risks described in this report were to occur. Also, payment of our dividends depends upon our financial condition and other factors as our board of directors may deem relevant from time to time. We cannot assure you that our businesses will generate sufficient cash flow from operations or that future borrowings will be available to us in an amount sufficient to enable us to make distributions

on our preferred stock, including the Series A Preferred Stock, to pay our indebtedness or to fund our other liquidity needs.

Changes in, or the withdrawal of, our credit rating, or the credit rating of our senior notes, could adversely affect the market price or liquidity of our senior notes.

Credit rating agencies continually revise their ratings for the companies that they follow, including us. Such ratings are based on a number of factors, including financial strength, as well as factors not entirely within our control, such as conditions affecting the financial services industry generally. Our 6.5% Senior Notes, 7% Senior Notes, 7.25% Senior Notes and 7.75% Senior Notes are rated only by one rating agency, Egan-Jones Ratings Co.

A downgrade, suspension or withdrawal in our rating or the rating of our senior notes, or the anticipation of such a change, including any announcement that our rating is under further review for a downgrade, could have an adverse effect on the price of the senior notes. More generally, a negative change or anticipated negative change in our rating could increase our borrowing costs and limit our access to the capital markets. We cannot be sure our credit rating agency will maintain its initial rating on our senior notes.

Our credit rating may not reflect all risks of an investment in our senior notes.

Our credit rating is an assessment by a rating agency of our ability to pay our debts when due. The credit rating may not reflect the potential impact of risks related to structure, market or other factors related to the value of our senior notes. A credit rating is not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization in its sole discretion.

ITEM 1B. *UNRESOLVED STAFF COMMENTS.*

None.

ITEM 2. *PROPERTIES.*

Our principal executive offices are located at 4400 Biscayne Boulevard, 12th Floor, Miami, Florida 33137, where we have leased approximately14,050 square feet of office space. We renewed our lease effective March 2018 and it now expires in February 2023.

Ladenburg entered into a sublease for space at 277 Park Avenue, 26th floor, New York, New York 10017 in December 2016, where it subleases approximately 23,000 square feet of office space commencing February 1, 2017 through January 20, 2021. Ladenburg also operates branch offices in leased office space. Such branch offices are located in Melville, New York and Westhampton Beach, New York; Miami, Naples and Boca Raton, Florida; Boston, Massachusetts; Calabasas, Torrance, San Rafael and Irvine, California; Minneapolis, Minnesota; and Stamford, Connecticut.

Our independent financial advisors are responsible for the office space they occupy, whether by lease or otherwise. Information regarding the principal executive offices used in our independent advisory and brokerage services segment is listed below:

Subsidiary	Location	Approximate Square Footage	Lease Expiration Date
Securities America	La Vista, NE	81,424	January 2030
Triad	Norcross, GA	21,835	February 2025
SSN	Knoxville, TN	15,000	March 2020 (1)
Investacorp	Miami, FL	11,475	September 2020
KMS	Seattle, WA	8,575	September 2024
Premier Trust	Las Vegas, NV	16,735	September 2022

(1) The lessor is Cogdill Capital LLC, an entity of which SSN's CFO and CEO are members.

Highland's principal executive offices, which are used for our insurance brokerage segment, are located in Birmingham, Alabama, where it leases approximately15,300 square feet under a lease that expires in April 2021. Highland also maintains regional offices in leased office space at various locations in the U.S.

We believe that our existing properties are adequate for the current operating requirements of our business and that additional space will be available as needed.

ITEM 3. *LEGAL PROCEEDINGS.*

The information under the heading “Litigation and Regulatory Matters” contained in Note 15 to our consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K is incorporated by reference in this Item 3.

ITEM 4. *MINE SAFETY DISCLOSURES.*

Not applicable.

PART II

ITEM 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.*

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

Our common stock used to trade on the NYSE American under the symbol "LTS." With the consummation of the Merger on February 14, 2020, we became a wholly owned subsidiary of Advisor Group and our common stock was delisted from the NYSE American. There is no established trading market for our common equity securities as of the closing date of the Merger.

Our Series A Preferred Stock used to trade on the NYSE American under the symbol "LTS PrA." Our Series A Preferred Stock was delisted from the NYSE American on March 5, 2020. Our Series A Preferred Stock currently trades under the symbol "LTSA" on the Pink Sheets.

Holders

At March 8, 2020, there was one record holder of our common stock.

Common Stock Dividends

In September 2017, we began payment of a quarterly cash dividend on its common stock of $0.01 per outstanding share. On August 2, 2018, the quarterly cash dividend per outstanding share was increased to $0.0125.

Issuer Purchases of Equity Securities

This table shows information regarding our purchases of our common stock during the fourth 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)
October 1 to October 31, 2019	—	$ —	—	10,273,937
November 1 to November 30, 2019	—	—	—	10,273,937
December 1 to December 31, 2019	—	—	—	10,273,937
Total	—	$ —	—	

(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 December 31, 2019, 27,226,063 shares had been repurchased for $73,194 under the program and 10,273,937 shares remain available for purchase under the program. The board authorized repurchase program expired at the effective time of the Merger as there is no established trading market for shares of our common stock as of the closing date of the Merger.

ITEM 6. *SELECTED FINANCIAL DATA.*

The selected financial data set forth below is derived from our audited consolidated financial statements. You should read this selected financial data together with Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and the notes thereto included elsewhere in this annual report on Form 10-K:

	Year Ended December 31,				
	2019	2018 (1)	2017	2016	2015
	(In thousands, except share and per share amounts)				
Operating Results:					
Total revenues	$ 1,469,302	$ 1,391,136	$ 1,268,152	$ 1,106,953	$ 1,152,118
Total expenses	1,438,631	1,343,733	1,266,991	1,119,023	1,163,868
Income (loss) before item shown below	30,671	47,403	1,161	(12,070)	(11,750)
Change in fair value of contingent consideration	(664)	(238)	19	(216)	55
Income (loss) before income taxes	30,007	47,165	1,180	(12,286)	(11,695)
Net income (loss)	22,725	33,786	7,682	(22,311)	(11,213)
Per common and equivalent share:					
(Loss) income per common share - basic	$ (0.08)	$ (0.00)	$ (0.13)	$ (0.29)	$ (0.21)
(Loss) income per common share - diluted	$ (0.08)	$ (0.00)	$ (0.13)	$ (0.29)	$ (0.21)
Cash dividend declared per common share	$ 0.05	$ 0.05	$ 0.02	$ —	$ —
Basic weighted average common shares	143,372,266	194,562,916	193,064,550	182,987,850	183,660,993
Diluted weighted average common shares	143,372,266	194,562,916	193,064,550	182,987,850	183,660,993
Balance Sheet Data:					
Total assets	$ 829,936	$ 740,904	$ 632,025	$ 546,003	$ 574,105
Total liabilities	588,471	487,727	261,634	183,502	198,074
Shareholders' equity	241,456	253,126	370,379	362,474	376,002
Other Data:					
Book value per common share	$ 1.62	$ 1.73	$ 1.87	$ 1.87	$ 2.06

(1)As a result of adopting ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" effective January 1, 2018, we amended our accounting policies on the recognition and presentation of certain revenues and related expenses, which may affect the comparability of such information and the related analysis.

ITEM 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.*

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

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, SSN, Investacorp, KMS, Ladenburg, LTAM, Highland and Premier Trust.

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 services networks.

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 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 conducted by Highland, which delivers life insurance, fixed and equity indexed annuities, as well as 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.

During the three years ended December 31, 2019, we incurred$5,823 of acquisition indebtedness, related to the acquisitions in 2018 of certain assets of KFG and FSFG. As of December 31, 2019, $5,454 of this acquisition-related indebtedness was outstanding.

Recent Developments

Advisor Group Merger

On November 11, 2019, we entered into the Merger Agreement by and among us, Advisor Group and Merger Sub, a wholly-owned subsidiary of Advisor Group, pursuant to which Merger Sub would be merged with and into us. On January 30, 2020, our shareholders voted to approve the Merger. On February 14, 2020, we announced the successful completion of the Merger.

In connection with the closing of the Merger, our common stock was delisted from the NYSE American and was deregistered from registration with the SEC. On March 5, 2020, our Series A Preferred Stock and Publicly Offered Senior Notes were delisted from the NYSE American and were deregistered from registration with the SEC. The Series A Preferred Stock and Publicly Offered Senior Notes currently trade on the Pink Sheets.

As required by the terms of our Series A Preferred Stock, on February 14, 2020, we provided notice to the holders of our Series A Preferred Stock of their right to convert each share of Series A Preferred Stock owned by them into $25.0389 per share in cash. The conversion right arose from the Merger and the resulting change of control of our company. 12,816,614 shares of Series A Preferred Stock were converted and 4,584,668 shares of Series A Preferred Stock remained outstanding as of March 10, 2020.

Critical Accounting Policies

General. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition. We have updated our revenue recognition policies in conjunction with our adoption of Accounting Standards Update (“ASU”) ASU 2014-09, Revenue from Contracts with Customers and all related amendments (“ASC 606”). We adopted 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. Therefore, the comparative information has not been adjusted and continues to be reported under the accounting standards in effect for prior periods.

The adoption of ASC 606, among other things, impacts the recognition of revenue in both our independent advisory and brokerage services and insurance brokerage segments. Certain independent financial advisors conduct their advisory business through their own registered investment advisory ("RIA") firm, or Hybrid RIA, rather than using one of our corporate RIA subsidiaries. Historically, we have generally recognized advisory fee revenue on a gross basis based on the fees charged by the RIAs to their clients. Commencing in 2018, with the adoption of ASC 606, we no longer recognize revenue on a gross basis where the clients’ assets are held by these independent entities, or Hybrid RIAs, which has primary client fiduciary duty under the Investment Advisors Act. In those circumstances, we now recognize the associated advisory revenues on a net basis (after deducting the advisor’s compensation). We also collect certain administrative fees for value-added services provided to Hybrid RIAs. Accordingly, our reported advisory revenue and the independent advisor's compensation in our independent advisory and brokerage services segment were materially lower in 2018 as compared to the prior year periods as a result of the adoption of ASC 606, and that reported advisory revenue growth may lag behind the overall growth rate of advisory assets.

At our insurance brokerage segment, the adoption of ASC 606 resulted in a material increase in reported insurance commission revenues. Historically, commissions on insurance policies were recognized on a gross or net basis based on how the commissions were received from the insurance carrier. Where the carrier paid us the full commission, and we remitted to the independent producer its portion of the commission, the gross amount of the commission was recognized by us. However, as was more frequently the case, where the carrier paid the independent producer directly and remitted to us only our portion of the commission, we recorded the commission revenue on a net basis (after giving effect to the payment to the producer). With the adoption of ASC 606, we report all insurance commission revenue on a gross basis, regardless of the method of payment by the carrier.

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

Clearing Arrangements. Our broker-dealer subsidiaries do not carry accounts for customers or perform custodial functions related to customers' securities. Each of our broker-dealer subsidiaries introduces all of its customer transactions, which are not reflected in these financial statements, to its clearing brokers, which maintain the customers' accounts and clear such transactions. Also, the clearing brokers provide the clearing and depository operations for our broker-dealer subsidiaries' proprietary securities transactions. These activities may expose us to off-balance-sheet risk in the event that customers do not fulfill their obligations with the clearing brokers, as we have agreed to indemnify our clearing brokers for any resulting losses. We continually assess risk associated with each customer who is on margin credit and record an estimated loss when we believe collection from the customer is unlikely. We incurred losses from these arrangements, prior to any recoupment from our financial advisors, of $14, $8 and $17 for the years ended December 31, 2019, 2018 and 2017, respectively.

Customer Claims, Litigation and Regulatory Matters. In the ordinary course of business, our operating subsidiaries have been and are the subject of numerous civil actions and arbitrations arising out of customer complaints relating to their activities as a broker-dealer or investment adviser, as an employer or supervisor and as a result of other business activities. In general, the cases involve various allegations that our employees or independent financial advisors had mishandled customer accounts. Due to the uncertain nature of litigation in general, we are unable to estimate a range of possible loss related to lawsuits filed against us, but based on our historical experience and consultation with counsel, we typically reserve an amount we believe will be sufficient to cover any damages assessed against us. We had accruals of $7,817 at December 31, 2019 and $9,869 at December 31, 2018 for potential losses. See Note 15, "Commitments and Contingencies," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K. However, in the past we have been assessed damages that exceeded our reserves. If we misjudge the amount of damages that may be assessed against us from pending or threatened claims, or if we are unable to adequately estimate the amount of damages that will be assessed against us from claims that arise in the future and reserve accordingly, our operating income and liquidity would be reduced. Such costs may have a material adverse effect on our future financial position, results of operations and liquidity.

Fair Value. "Trading securities owned" and "Securities sold, but not yet purchased" on our consolidated statements of financial condition are recorded at fair value, with related unrealized gains and losses recognized in our results of operations. The determination of fair value is fundamental to our financial condition and results of operations and, in certain circumstances, it requires management to make complex judgments.

Fair values are based on listed market prices, where possible. If listed market prices are not available or if the liquidation of our positions would reasonably be expected to impact market prices, fair value is determined based on other relevant factors, including dealer price quotations. Fair values for certain derivative contracts are derived from pricing models that consider market and contractual prices for the underlying financial instruments or commodities, as well as time value and yield curve or volatility factors underlying the positions.

Pricing models and their underlying assumptions impact the amount and timing of unrealized gains and losses recognized, and the use of different pricing models or assumptions could produce different financial results. Changes in the fixed income and equity markets will impact our estimates of fair value in the future, potentially affecting principal trading revenues. The illiquid nature of certain securities or debt instruments also requires a high degree of judgment in determining fair value due to the lack of listed market prices and the potential impact of the liquidation of our position on market prices, among other factors.

The FASB has issued authoritative accounting guidance that defines fair value, establishes a framework for measuring fair value and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. The guidance clarifies that fair value should be based on assumptions that market participants would use when pricing an asset or liability.

Valuation of Deferred Tax Assets: We account for income taxes under the asset and liability method, which requires the recognition of tax benefits or expense on the temporary differences between the tax basis and book basis of our assets and liabilities as well as tax loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Net deferred tax liability as of December 31, 2019, which consists principally of the tax benefit of net operating loss carryforwards, compensation charges related to equity instruments and deferred compensation liabilities, offset by deferred revenue, intangible assets and goodwill, amounted to $12,269. Each reporting period, we assess the realizability of our deferred tax assets to determine if the deductible temporary differences will be utilized on a more-likely-than-not basis. In making this determination, we assess all available positive and negative evidence to determine if our existing deferred tax assets are realizable on a more-likely-than-not basis. Significant weight is given to positive and negative evidence that is objectively verifiable. We considered the reversal of existing taxable temporary differences, projected future taxable income, tax planning strategies and recent financial operating results. The ultimate realization of a deferred tax asset is ultimately dependent on our generation of sufficient taxable income within the available net operating loss carryforward periods to utilize the deductible temporary differences. Based on the reversal pattern of existing taxable temporary difference coupled with objective evidence of cumulative earnings in recent years, the Company concluded that its deferred tax assets are realizable on a more-likely-than-not basis with the exception of certain separate state net operating loss carryforwards. See Note 13, "Income Taxes," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Stock-Based Compensation. Our stock based compensation uses a fair value-based method to recognize non-cash compensation expense for share-based transactions. The accounting guidance requires an entity to measure the cost of employee, officer and director services received in exchange for an award of equity instruments, including stock options and restricted stock, based on the grant-date fair value of the award. The cost is recognized as compensation expense over the service period, which would normally be the vesting period of the options. Compensation expense for share-based awards granted to independent contractors is measured at their vesting date fair value. The compensation expense recognized each period is based on the awards' estimated value at the most recent reporting date.

Intangible Assets. We amortize intangible assets over their estimated useful lives generally on a straight-line basis. Intangible assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We assess the recoverability of our intangible assets by determining whether the unamortized balance can be recovered over the assets' remaining life through undiscounted forecasted cash flows. If undiscounted forecasted cash flows indicate that the unamortized amounts will not be recovered, an adjustment will be made to reduce such amounts to an amount consistent with forecasted future cash flows discounted at a rate commensurate with the risk associated with achieving future discounted cash flows. Future cash flows are based on trends of historical performance and our estimate of future performances, giving consideration to existing and anticipated competitive and economic conditions.

Goodwill. Goodwill is not subject to amortization and is tested for impairment annually or more frequently if events or changes in circumstances indicate that the asset may be impaired. The impairment test consists of a comparison of the fair value of the reporting unit with its carrying amount. Fair value is typically based upon future cash flows discounted at a rate commensurate with the risk involved or market based comparables. If the carrying amount of the reporting unit exceeds its fair value then an analysis will be performed to compare the implied fair value of goodwill with the carrying amount of goodwill. An impairment loss will be recognized in an amount equal to excess of the carrying amount over the implied fair value. After an impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis. Accounting guidance on the testing of goodwill for impairment allows entities the option of performing a qualitative assessment to determine the likelihood of goodwill impairment and whether it is necessary to perform such two-step quantitative impairment test.

Results of Operations

The following discussion provides an assessment of our consolidated results of operations, capital resources and liquidity and should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this report. The consolidated financial statements include our accounts and the accounts of our subsidiaries. The presentation of revenue and certain related accounts for 2019 and 2018 reflect the adoption of ASC 606, which may affect the comparability of such information and the related analysis.

The following table includes a reconciliation of net income attributable to the Company as reported to EBITDA, as adjusted:

	Year Ended December 31,		
	2019	2018	2017
Total revenues	$ 1,469,302	$ 1,391,136	$ 1,268,152
Total expenses	1,438,631	1,343,733	1,266,991
Income before income taxes	30,007	47,165	1,180
Net income attributable to the Company	22,767	33,758	7,697
Reconciliation of net income attributable to the Company to EBITDA, as adjusted:			
Net income attributable to the Company	22,767	33,758	7,697
Less:			
Interest income	(2,906)	(2,504)	(506)
Change in fair value of contingent consideration	664	238	(19)
Add:			
Interest expense	23,119	10,796	2,710
Income tax (benefit) expense	7,282	13,379	(6,502)
Depreciation and amortization	22,294	24,039	28,835
Non-cash compensation expense	6,106	5,882	5,539
Amortization of retention and forgivable loans	549	417	7,396
Amortization of contract acquisition costs (4)	11,759	9,671	—
Financial advisor recruiting expense	55	370	5,721
Acquisition-related expense	5,887	1,010	3,469
Other	3,655 (1)	3,392 (2)	1,661 (3)
EBITDA, as adjusted	$ 101,231	$ 100,448	$ 56,001

(1) Includes loss on severance costs of $1,697, excise and franchise tax expense of $548, compensation expense that may be paid in stock of $1,470, other legal matters of $215 and reversal of a write-off for a sublease commitment of $(275).

(2) Includes loss on severance costs of $481, excise and franchise tax expense of $629, compensation expense that may be paid in stock of $535 and non-recurring expenses related to a block repurchase of our common stock and other legal matters of $1,747.

(3) Includes loss on severance costs of $525, excise and franchise tax expense of $594 and compensation expense that may be paid in stock of $559.

(4) See Note 4 to the consolidated financial statements for further information.

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 cost 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. 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 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. 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 fiscal year ended December 31, 2019 was$101,231, an increase of $783 (1%), from EBITDA, as adjusted, of $100,448 for the fiscal year ended December 31, 2018. This increase was primarily due to an increase in EBITDA, as adjusted, in our insurance brokerage segment. Our independent advisory and brokerage services segment experienced an increase in EBITDA, as adjusted, of $997 (1%) on increased revenue of $43,283 (4%). EBITDA, as adjusted, in our insurance brokerage segment increased by $3,479 (84%) on increased revenue of $39,084 (27%). EBITDA, as adjusted, in our Ladenburg segment decreased by $1,468 (11%) on decreased revenue of $2,571 (3%). EBITDA, as adjusted, in our Corporate segment decreased by $2,225 (15%) on decreased revenues of $1,630 (33%).

Segment Description

We have three operating segments. The independent advisory and brokerage services segment includes the investment advisory and brokerage 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.

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Independent advisory and brokerage services	$ 1,204,326	$ 1,161,043	$ 1,140,380
Ladenburg	75,523	78,094	66,680
Insurance Brokerage	186,211	147,127	57,132
Corporate	3,242	4,872	3,960
Total revenues	$ 1,469,302	$ 1,391,136	$ 1,268,152
Income (loss) before income taxes:			
Independent advisory and brokerage services	$ 65,517	$ 62,748	$ 19,858
Ladenburg	10,501	11,464	6,346
Insurance Brokerage	4,745	1,983	(5,338)
Corporate (1)	(50,756)	(29,030)	(19,686)
Total income (loss) before income taxes	$ 30,007	$ 47,165	$ 1,180
EBITDA, as adjusted (2)			
Independent advisory and brokerage services	$ 99,408	$ 98,411	$ 59,756
Ladenburg	11,498	12,966	8,115
Insurance Brokerage	7,645	4,166	2,698
Corporate	(17,320)	(15,095)	(14,568)
Total EBITDA, as adjusted	$ 101,231	$ 100,448	$ 56,001

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

(2) See Note 20, "Segment Information," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K for a reconciliation of income (loss) before income taxes to EBITDA, as adjusted.

Year ended December 31, 2019 compared to year ended December 31, 2018

For the fiscal year ended December 31, 2019, we had net income attributable to the Company of $22,767 as compared to net income attributable to the Company of $33,758 for the fiscal year ended December 31, 2018. The decrease in net income attributable to the Company was primarily due to an overall increase in total expenses, including approximately $5,863 attributable to the Merger.

Our total revenues for 2019 increased by $78,166 (6%) from 2018, resulting primarily from increases in commissions of $28,274, advisory fees of $36,186, service fees of $12,599, principal transactions of $1,780 and other income of $1,222, partially offset by a decrease in investment banking revenue of $2,213. Our independent advisory and brokerage services segment revenues increased by $43,283 (4%) from 2018 mainly driven by increases in advisory fees, service fees and other income, partially offset by decreases in commissions. Our Ladenburg segment revenues decreased by $2,571 (3%) from 2018 as a result of lower investment banking revenue primarily due to a decrease in equity capital raising as compared to 2018 and a decrease in commissions, partially offset by an increase in principal transactions. Our insurance brokerage segment revenues increased by $39,084 (27%) in 2019 as compared to the prior year primarily due to the acquisition of certain assets of KFG by Highland in August 2018. Our Corporate segment revenues decreased by $1,630 (33%) from 2018 primarily due to the forgiveness of the forgivable loan by National Financial Services ("NFS") in 2018.

Our total expenses for 2019 increased by $94,898 (7%) from 2018, primarily driven by increases of $35,890 (25%) in our insurance brokerage segment, $40,520 (4%) in our independent advisory and brokerage services segment and $20,096 (59%) in our corporate segment, partially offset by a decrease of $1,608 (2%) in our Ladenburg segment. Expenses for 2019 included increases in commissions and fees expense of $48,960, compensation and benefits expense of $16,766, interest expense of $12,323, other expense of $15,202, acquisition-related expense of $4,877, and amortization of contract acquisition costs of $2,088, partially offset by decreases in professional services expense of $2,524 (which excludes Merger related professional services expense), brokerage, communication and clearance fee expense of $2,031 and depreciation and amortization expense of $1,745.

The $28,274 (4%) increase in commissions revenue for 2019 as compared to 2018 was primarily attributable to an increase in revenue in our insurance brokerage segment of $39,355 (27%) 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 $9,020 (2%) due to the decrease in mutual fund trailing commissions, fewer equity trades and lower alternative investment sales. Also commissions revenue in our Ladenburg segment decreased by $2,061 (18%) due to a decrease in retail and institutional sales.

The $36,186 (8%) increase in advisory fees revenue in 2019 as compared to 2018 was primarily attributable to a $35,655 increase in our independent advisory and brokerage services segment, due to higher advisory asset balances as a result of improved market conditions. Beginning in 2018, we stopped recognizing advisory revenue on a gross basis when the client's assets are held at a Hybrid RIA. We now recognize these revenues on a net basis (after deducting the advisor's compensation), but also record administrative services provided to Hybrid RIAs. 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. Total advisory assets under management at December 31, 2019 were approximately $96,700,000 as compared to $72,800,000 at December 31, 2018.

The $2,213 (4%) decrease in investment banking revenue for 2019 as compared to 2018 was primarily driven by a $4,258 decrease in capital raising revenue offset by a $2,044 increase in strategic advisory services revenue. 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 $45,778 for the fiscal year ended December 31, 2019 as compared to $50,036 for the prior year. Strategic advisory services revenue was $8,265 for 2019 as compared to $6,220 for 2018.

The $1,780 (543%) increase in principal transactions revenue in 2019 as compared to 2018 was primarily attributable to our Ladenburg segment, which had an increase of $1,781 (340%) due to an increase in the market value of firm's investments.

The $318 (6%) increase in interest and dividends revenue for 2019 as compared to 2018 was primarily attributable to the Ladenburg and corporate segments and was driven by higher cash balances in the 2019 period.

The $12,599 (11%) increase in service fees in 2019 as compared to 2018 was primarily driven by an increase of $12,499 in our independent advisory and brokerage services segment. The total increase was primarily due to increases in cash sweep revenue of $11,566 and advisor affiliation fees of $1,640, partially offset by a $1,011 decrease in trading services and fees. In March 2020, the Federal Reserve reduced the federal funds target rate to 1.0 - 1.25%. Levels of service fees revenue from our cash sweep programs are dependent upon prevailing interest rates and cash asset levels. At December 31, 2019, client assets included cash balances of approximately $4,452,000, including approximately $4,085,000 participating in our cash sweep programs.

The $1,222 (3%) increase in other income in 2019 as compared to 2018 was primarily driven by an increase of $4,146 in our independent advisory and brokerage services segment, partially offset by a decrease of $2,686 in our corporate segment. The increase in other income in 2019 was primarily due to increases in deferred compensation revenue of $4,421, marketing services and product incentives of $1,153 and conference revenue of $861, partially offset by a decrease in growth incentive credits from one of our clearing firms of $3,210 and forgiveness of debt of $2,222.

The $48,960 (5%) increase in commissions and fees expense for 2019 as compared to 2018 was primarily due to the increase in commissions expense of $26,098 in our insurance brokerage segment due to the acquisition of certain assets of KFG by Highland and the increase in our independent advisory and brokerage services segment of $22,772. 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 because our representatives and agents earn higher compensation based on the higher revenues produced.

The $16,766 (9%) increase in compensation and benefits expense for 2019 as compared to 2018 was attributable to an increase of $7,725 in our insurance brokerage segment due to an increase in revenue, an increase of $6,373 in our independent advisory and brokerage services segment and an increase of $3,451 in our corporate segment due to increases in incentive compensation, partially offset by a decrease of $783 in our Ladenburg segment. We recorded severance expense of $1,697 during the year ended 2019.

The $2,031 (13%) decrease in brokerage, communication and clearance fees expense for 2019 as compared to 2018 was driven by a decrease of $1,494 in our independent advisory and brokerage services segment. The decrease in expense resulted from increased clearing credits during the 2019 period, which arose in connection with the May 2018 extension of the term of our clearing agreements with one of our clearing firms.

The $626 (6%) increase in rent and occupancy expense, net of sublease revenue, for 2019 as compared to 2018 was attributable to an increase of $558 in our insurance brokerage segment due to the acquisition of KFG and FSFG.

The $2,524 (12%) decrease in professional services expense for 2019 as compared to 2018 was primarily attributable to a decrease of $1,541 in our corporate segment and a decrease of $873 in our independent advisory and brokerage services segment due to lower legal and consulting expenses.

The $12,323 (114%) increase in interest expense for 2019 as compared to 2018 resulted from a increased average debt balance and higher interest rates. Our average outstanding debt balance was approximately $304,909 for 2019, as compared to $145,107 for 2018. The average interest rate was 7% for 2019 as compared to 6.6% for 2018. Our outstanding debt balance as of December 31, 2019 primarily included $242,828 of indebtedness due to the issuance of our senior notes (excluding the December 2018 Notes), $76,350 of 7.25% Senior Notes due 2028 (the “December 2018 Notes”) issued in connection with the repurchase of 50,900,000 shares of our common stock directly from our former principal shareholder, Phillip Frost, M.D., and an entity affiliated with Dr. Frost, Frost Nevada Investments Trust (the “Share Repurchase”), and $5,454 of indebtedness incurred in connection with asset acquisitions in our insurance brokerage segment and $5,172 of indebtedness incurred by Securities America.

The $1,745 (7%) decrease in depreciation and amortization expense for 2019 as compared to 2018 was mainly due to a decrease of $2,502 in our independent advisory and brokerage services segment, partially offset by an increase of $740 in our insurance brokerage segment.

The $4,877 (483%) increase in acquisition-related expense for 2019 as compared to 2018 was primarily due to an increase of $5,881 in our corporate segment primarily due to expenses related to the Merger with Advisor Group, partially offset by a decrease of $913 in our independent advisory and brokerage services segment.

The $2,088 (22%) increase in amortization of contract acquisition costs for 2019 as compared to the 2018 period was due to an increase in our independent advisory and brokerage services segment as a result of the issuance of loans to newly recruited financial advisors during 2019.

The $15,202 (21%) increase in other expense in 2019 as compared to 2018 was primarily driven by increases at our independent advisory and brokerage services segment of $15,371, our insurance brokerage segment of $1,034 and our Ladenburg segment of $71, partially offset by a decrease at our corporate segment of $1,274. The total increase in other expense in 2019 was attributable to increases in deferred compensation expense of $5,519, settlements expense of $4,830, software and equipment expense of $3,781 and firm insurance of $1,174, partially offset by decreases in travel and entertainment of $838 and dues, licenses and registrations of $371.

We had an income tax expense of $7,282 in 2019 as compared to an income tax expense of $13,379 in 2018. See Note 13, "Income Taxes," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Year ended December 31, 2018 compared to year ended December 31, 2017

For the fiscal year ended December 31, 2018, we had net income attributable to the Company of $33,758 as compared to net income attributable to the Company of $7,697 for the fiscal year ended December 31, 2017. The increase in net income attributable to the Company was primarily due to an increase in revenue of $122,984 (10%), partially offset by a $76,742 (6%) increase in total expenses.

Our total revenues for 2018 increased by $122,984 (10%) from 2017, resulting primarily from increases in commissions of $160,303, investment banking revenue of $9,803, interest and dividends of $2,421, service fees of $34,100 and other income of $4,049, partially offset by a decrease in advisory fees of $86,507 due to the change in accounting for revenues under ASC 606, and a decrease in principal transactions of $1,185. Our independent advisory and brokerage services segment revenues increased by $20,663 (2%) from 2017 mainly driven by increases in commissions, service fees and other income. This was partially offset by decreases in advisory fees due to the change in accounting for revenues under ASC 606. Our Ladenburg segment revenues increased by $11,414 (17%) from 2017 as a result of higher investment banking revenue primarily due to an increase in equity capital raising as compared to 2017. Our insurance brokerage segment revenues increased by $89,995 (158%) in 2018 as compared to the prior year primarily due to the change in accounting for insurance commissions revenue under ASC 606.

Our total expenses for 2018 increased by $76,742 (6%) from 2017, primarily driven by increases of $82,653 (133%) in our insurance brokerage segment, $10,256 (43%) in our corporate segment and $6,296 (10%) in our Ladenburg segment, partially offset by a decrease of $22,463 (2%) in our independent advisory and brokerage services segment. Expenses for 2018 included increases in commissions and fees expense of $48,166, compensation and benefits expense of $22,701, amortization of contract acquisition costs of $9,671, interest expense of $8,086, professional services expense of $2,339 and other expense of $1,085, partially offset by decreases in amortization of retention and forgivable loans of $6,979, depreciation and amortization expense of $4,796, acquisition-related expense of $2,459 and brokerage, communication and clearance fee expense of $2,036.

The $160,303 (30%) increase in commissions revenue for 2018 as compared to 2017 was primarily attributable to an increase in sales of variable annuity, mutual fund, fixed annuity, insurance, fixed income and equity products, and the impact of the adoption of ASC 606. Our independent advisory and brokerage services segment commissions revenue increased by $69,987 (15%) resulting from increased sales of variable annuity, mutual fund, fixed annuity, insurance, fixed income and equity products during 2018. Our insurance brokerage segment commissions revenue increased by $89,936 (165%) in 2018 as compared to the prior year primarily due to the change in accounting for revenues under ASC 606. See Note 4, "Revenue from Contracts with Customers," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

The $86,507 (15%) decrease in advisory fees revenue in 2018 as compared to 2017 was primarily attributable to a $86,837 decrease in our independent advisory and brokerage services segment, due to the change in accounting for revenues under ASC 606. Beginning in 2018, we stopped recognizing advisory revenue on a gross basis when the client's assets are held at a Hybrid RIA. We now recognize these revenues on a net basis (after deducting the advisor's compensation), but also record administrative services provided to Hybrid RIAs.

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. Total advisory assets under management at December 31, 2018 were approximately $72,800,000 as compared to $72,600,000 at December 31, 2017. Total advisory assets under management at January 31, 2019 increased to approximately $76,700,000, primarily due to the increase in the equity markets during January 2019. We expect that future advisory revenue growth may lag behind the growth rate of advisory assets due to the adoption of ASC 606.

The $9,803 (21%) increase in investment banking revenue for 2018 as compared to 2017 was primarily driven by a $11,600 increase in capital raising revenue offset by a $1,797 decrease in strategic advisory services revenue. 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 $50,603 for the fiscal year ended December 31, 2018 as compared to $39,003 for the prior year, resulting from a significant increase in equity capital raising for small and mid-cap public companies. Strategic advisory services revenue was $5,653 for 2018 as compared to $7,450 for 2017.

The $1,185 (138%) decrease in principal transactions revenue in 2018 as compared to 2017 was primarily attributable to our Ladenburg segment, which had a decrease of $1,361 (163%) due to a decline in the market value of firm's investments.

The $2,421 (95%) increase in interest and dividends revenue for 2018 as compared to 2017 was primarily attributable to the corporate segment driven by higher cash balances and interest rates in the 2018 period.

The $34,100 (40%) increase in service fees in 2018 as compared to 2017 was primarily driven by an increase of $33,510 in our independent advisory and brokerage services segment. The total increase was primarily due to increases in cash sweep revenue of $32,690, other advisor and client fees of $1,920, and advisor affiliation fees of $1,665, partially offset by a $2,156 decrease in trading services and fees. Service fees revenue from our cash sweep programs was $54,819 for 2018 as compared to $22,129 in the comparable 2017 period, reflecting the impact of increases in the target rate for the federal funds effective rate and the implementation of new cash sweep programs during 2018. Future levels of service fees revenue are dependent upon changes in prevailing interest rates and cash assets levels. At December 31, 2018, client assets included cash balances of approximately $5,204,000, including approximately $4,838,000 participating in our cash sweep programs. We implemented a new cash sweep program in the first quarter of 2018 for eligible advised IRA accounts. See Item 1A. "Risk Factors - Risk Factors Relating to Our Business - Significant interest rate changes or the termination of our cash sweep agreements could affect our profitability and financial condition" above in this annual report on Form 10-K.

The $4,049 (11%) increase in other income in 2018 as compared to 2017 was primarily driven by an increase of $4,024 in our independent advisory and brokerage services segment. The increase in other income in 2018 was primarily due to increases in growth incentive credits from one of our clearing firms of $3,056, marketing services and product incentives of $2,967 and conference revenue of $1,779, partially offset by a decrease in deferred compensation investment revenue of $3,252, miscellaneous revenue of $444 and forgiveness of debt of $215.

The $48,166 (5%) increase in commissions and fees expense for 2018 as compared to 2017 was primarily due to the increase in commissions expense of $83,821 in our insurance brokerage segment, primarily due to the adoption of ASC 606, partially offset by a decrease in our independent advisory and brokerage services segment of $35,468, primarily due to the adoption of ASC 606. 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 because our representatives and agents earn higher compensation based on the higher revenues produced.

The $22,701 (13%) increase in compensation and benefits expense for 2018 as compared to 2017 was attributable to an increase of $14,121 in our independent advisory and brokerage services segment, as headcount grew 13% from the prior year, an increase of $3,368 in our insurance brokerage segment due to an increase in revenue, an increase of $2,967 in our Ladenburg segment due to increases in incentive compensation and an increase of $2,245 in our corporate segment due to increases in headcount and incentive compensation.

The $343 (6%) increase in non-cash compensation expense for 2018 as compared to 2017 was primarily attributable to an increase in our independent advisory and brokerage services segment of $185 and our corporate segment of $152.

The $2,036 (11%) decrease in brokerage, communication and clearance fees expense for 2018 as compared to 2017 was driven by a decrease of $2,175 in our independent advisory and brokerage services segment. This decrease in expense resulted from increased levels of clearing credits during 2018 and included new annual business credits received during the extension of the term of our clearing agreements with one of or clearing firms entered into in May 2018.

The $621 (7%) increase in rent and occupancy expense, net of sublease revenue, for 2018 as compared to 2017 was attributable to an increase of $872 in our independent advisory and brokerage services segment and an increase of $111 in our insurance brokerage segment due to rent increases, partially offset by a decrease of $379 in our Ladenburg segment.

The $2,339 (12%) increase in professional services expense for 2018 as compared to 2017 was primarily attributable to an increase of $3,778 in our Ladenburg segment due to the change in accounting for underwriting expenses under ASC 606 and an increase in our corporate segment of $2,234, partially offset by a decrease in professional services expense at our independent advisory and brokerage services segment of $3,488.

The $8,086 (298%) increase in interest expense for 2018 as compared to 2017 resulted from a increased average debt balance and higher interest rates. Our average outstanding debt balance was approximately $145,107 for 2018, as compared to $35,416 for 2017. The average interest rate was 6.6% for 2018 as compared to 6% for 2017. Our outstanding debt balance as of December 31, 2018 primarily included $185,328 of indebtedness due to the issuance of our senior notes (excluding the December 2018 Notes), $76,350 of December 2018 Notes issued in connection with the Share Repurchase, and $5,763 of indebtedness incurred in connection with asset acquisitions in our insurance brokerage segment.

The $4,796 (17%) decrease in depreciation and amortization expense for 2018 as compared to 2017 was mainly due to a decrease of $5,695 in our insurance brokerage segment due to the reclassification of the renewal intangible for insurance commissions to other receivables based on the adoption of ASC 606. The decrease was partially offset by an increase of $948 in our independent advisory and brokerage services segment.

The $2,459 (71%) decrease in acquisition-related expense for 2018 as compared to 2017 was due to a $2,556 decrease in acquisition-related expense in our independent advisory and brokerage services segment in 2018, which occurred because the 2017 period included the recruitment of large groups of advisors.

The $6,979 (94%) decrease in amortization of retention and forgivable loans for 2018 as compared to 2017 was driven by the reclassification of notes receivable to contract acquisition costs due to the adoption of ASC 606. See Note 4, "Revenue from Contracts with Customers," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

The $9,671 increase in amortization of contract acquisition costs for 2018 as compared to the 2017 period was due to the change in accounting for revenues under ASC 606 related to costs to obtain a contract with a customer.

The $1,085 (2%) increase in other expense in 2018 as compared to 2017 was primarily driven by increases at our independent advisory and brokerage services segment of $2,658 and our insurance brokerage segment of $1,610. Our corporate and Ladenburg segment experienced decreases in other expense of $2,730 and $453, respectively, in 2018. The total increase in other expense in 2018 was attributable to increases in software and equipment expense of $2,184, conference expense of $2,023, travel and entertainment expense of $1,322, dues, licenses and registrations of $824, advertising of $506, office expense of $502 and education and seminars expense of $307, partially offset by decreases in deferred compensation plan expense of $3,260, legal settlement expense of $2,895 and bad debt expenses of $946.

We had an income tax expense of $13,379 in 2018 as compared to an income tax benefit of $6,502 in 2017. See Note 13, "Income Taxes," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Liquidity and Capital Resources

Approximately 34% and 30% of our total assets at December 31, 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. A relatively small percentage of our total assets are fixed. The total assets or the individual components of total assets may vary significantly from period to period because of changes relating to economic and market conditions.

Below is a summary of changes in our cash flow (in thousands):

	Year Ended December 31,		
	2019	2018	2017
Net cash provided by (used in):			
Operating activities	$ 54,017	$ 63,372	$ 16,215
Investing activities	(13,048)	(17,808)	(10,075)
Financing activities	19,292	(29,146)	66,782
Net increase in cash and cash equivalents	$ 60,261	$ 16,418	$ 72,922
Cash and cash equivalents, beginning of period	189,281	172,863	99,941
Cash and cash equivalents, end of period	$ 249,542	$ 189,281	$ 172,863

Cash provided by operating activities for 2019 was $54,017, which primarily consisted of our net income of $22,725 adjusted for non-cash expenses, increases in deferred compensation plan, as well as decreases in securities owned and receivables from clearing brokers, partially offset by increases in contract acquisition costs, insurance trailing commissions receivable, notes receivable and cash surrender value. Cash provided by operating activities for 2018 was $63,372, which primarily consisted of our net income of $33,786 adjusted for non-cash expenses, increases in commissions and fees payable, accounts payable and accrued liabilities, accrued compensation and decreases in receivables from clearing brokers, partially offset by increases in contract acquisition costs, other receivables, securities owned and other assets.

Investing activities used $13,048 in 2019, primarily due to the purchase of furniture, equipment and leasehold improvements of $13,044. Investing activities used $17,808 in 2018, primarily due to the purchase of furniture, equipment and leasehold improvements of $14,502 and the cash paid in the KFG and FSFG acquisitions of $3,300.

Cash provided by financing activities for 2019 was $19,292 in 2019, primarily due to the issuance of senior notes of $55,062, issuance of Series A Preferred Stock of $9,426, borrowings on a term note of $7,000 and the issuance of common stock upon option exercises and under our employee stock purchase plan of $2,778, partially offset by the payment of $34,689 in dividends on our Series A Preferred Stock, repurchases of common stock of $10,880, the payment of $7,179 in dividends on our common stock and $2,226 in repayments of outstanding indebtedness. The debt repayments of $2,226 include $1,917 in bank loans and revolver payments. Financing activities used $29,146 in 2018, primarily due to repurchases of common stock of $69,746, the payment of $34,031 in dividends on our Series A Preferred Stock, $21,943 in repayments of outstanding indebtedness, and the payment of $8,794 in dividends on our common stock, partially offset by the issuance of senior notes of $104,375 and the issuance of common stock upon option exercises and under our employee stock purchase plan of $4,266. The debt repayments of $21,943 included a $6,400 repayment of outstanding notes related to the SSN acquisition, a $2,055 repayment of outstanding notes related to the KMS acquisition, and $6,690 in bank loans and revolver payments.

Operating Capital Requirements

Each of Securities America, Triad, Investacorp, KMS, SSN and Ladenburg is subject to a minimum net capital requirement. Therefore, they are subject to certain restrictions on the use of capital and their related liquidity. At December 31, 2019, the regulatory net capital of each of our broker-dealer subsidiaries was as follows: Securities America $12,467, Triad $9,916, Investacorp $10,079, KMS $7,240, SSN $8,149 and Ladenburg $24,883. 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. See Item 1A. "Risk Factors — Risk Factors Relating to the Regulatory Environment — Failure to comply with capital requirements could subject us to suspension, revocation or fines by the SEC, FINRA or other regulators" above.

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 December 31, 2019, Premier Trust had stockholders' equity of $4,072, including at least $250 in cash.

Sources of Liquidity

Our primary sources of liquidity include cash flows from operations and sales of securities. We believe that our existing assets and cash flows from operations will provide adequate cash and regulatory capital to fund our current level of operating activities through at least March 2021.

In June 2018, we entered into an equity distribution agreement under which we could 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 2019, we sold 389,207 shares of Series A Preferred Stock for gross proceeds of $9,430 pursuant to the "at the market" offering. As of December 31, 2019, we had 6,443,634 shares of Series A Preferred Stock remaining available for sale under such equity distribution agreement. The equity distribution agreement was terminated in connection with the Merger.

On November 21, 2017, we sold $72,500 principal amount of our 6.5% Senior Notes due November 2027. 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 could sell up to $25,000 of our 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. No compensation was paid to the agents with respect to such sales. We did not sell any 6.5% Senior Notes pursuant to the "at the market" offering during 2019. The note distribution agreement was terminated in connection with the Merger.

On May 22, 2018, we sold $40,000 principal amount of our 7% Senior Notes in 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 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 could 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. No compensation was paid to the agents with respect to such sales. We did not sell any 7% Senior Notes pursuant to the "at the market" offering during 2019. The note distribution agreement was terminated in connection with the Merger.

On August 9, 2018, we sold $60,000 principal amount of our 7.25% Senior Notes in 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, we sold $57,500 principal amount of our 7.75% Senior Notes due June 2029 in an underwritten offering. Interest on the 7.75% Senior Notes accrues from May 29, 2019 and it 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 discounts paid to unaffiliated underwriters and offering expenses aggregating $2,068.

Debt

On November 6, 2013, Securities America entered into a loan agreement (the "SA Loan Agreement") with a third party financial institution for a $1,000 revolving credit facility. Revolving loans bore 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 the revolving loans to prime plus 2.25%. 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 maturity date was February 6, 2022. The loans were collateralized by Securities America's assets. On February 14, 2020, the term loan was repaid in full and the SA Loan Agreement was terminated.

On August 31, 2018, as part of the consideration paid for the acquisition of 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 4.00% 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 $212 for the period ended December 31, 2019.

In November 2018, as part of the consideration paid for the acquisition of 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 maturity dates were October 1, 2021 and January 15, 2024, respectively. The notes were prepaid in full without penalty on February 14, 2020.

In December 2018, we issued $76.35 million aggregate principal amount of 7.25% Senior Notes due 2028 (the “December 2018 Notes”) to Phillip Frost, M.D., and an entity affiliated with Dr. Frost, Frost Nevada Investments Trust. 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. In February 2020, the December 2018 Notes were purchased by Advisor Group, our affiliate, and became an intercompany balance.

On February 13, 2020, AG Issuer, LLC (“AG Escrow Issuer”) issued $500,000 in aggregate principal amount of 6.25% Senior Secured Notes due 2028 (the “2028 Senior Secured Notes”). The 2028 Senior Secured Notes were issued under an indenture, dated February 13, 2020 (the “Initial Indenture”), by and between AG Escrow Issuer and Wilmington Trust, National Association, as trustee (the “Trustee”) and as notes collateral agent (the “Notes Collateral Agent”).

AG Escrow Issuer was merged with and into Advisor Group on February 14, 2020. In connection therewith, we and Securities America Financial Corporation (together, the “Guarantors”) entered into a supplemental indenture, dated February 14, 2020 (the “2028 Senior Secured Notes Supplemental Indenture,” and together with the Initial Indenture, the “2028 Senior Secured Notes Indenture”), pursuant to which the Guarantors have agreed to guarantee all of Advisor Group’s obligations under the 2028 Senior Secured Notes Indenture and the 2028 Senior Secured Notes.

The 2028 Senior Secured Notes bear interest at 6.25% and mature on March 1, 2028. Interest on the 2028 Senior Secured Notes is payable semi-annually on March 1 and September 1 of each year, beginning on September 1, 2020.

Prior to March 1, 2023, the 2028 Senior Secured Notes may be redeemed at any time and from time to time, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2028 Senior Secured Notes, plus accrued and unpaid interest, if any, to, but not including, the redemption date, plus a “make-whole.” In addition, at any time prior to March 1, 2023, up to 40% of the aggregate principal amount of the 2028 Senior Secured Notes may be redeemed with an amount not to exceed the net cash proceeds from certain equity offerings at a redemption price of 106.25% of the principal amount of the 2028 Senior Secured Notes to be redeemed plus accrued and unpaid interest, if any, to, but excluding, the redemption date. In addition, until March 1, 2023, up to 10% of the original aggregate principal amount of the 2028 Senior Secured Notes may be redeemed during the period beginning on the issue date and ending on February 28, 2021, and on each subsequent twelve month period beginning March 1, 2021 and March 1, 2022, at a redemption price of 103% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

On and after March 1, 2023, the 2028 Senior Secured Notes may be redeemed at any time and from time to time at the applicable redemption prices set forth in the 2028 Senior Secured Notes Indenture plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

The 2028 Senior Secured Notes and related guarantees are secured on a first lien basis by substantially all assets of Advisor Group, certain of its subsidiaries and the Guarantors (other than certain excluded assets), which assets secure the Guarantors' obligations under the Senior Secured Credit Facilities (as defined below) on a pari passu basis, subject to permitted liens. The 2028 Senior Secured Notes Indenture contains restrictive covenants that limit, among other things, the ability of the Guarantors to incur or guarantee additional indebtedness or issue disqualified stock or certain preferred stock; pay dividends and make other distributions or repurchase stock; make certain investments; create or incur liens; sell assets; enter into certain transactions with the Guarantors; merge, consolidate or transfer or sell all or substantially all of the Guarantors' assets; and designate restricted subsidiaries as unrestricted subsidiaries. These covenants are subject to a number of important limitations and exceptions. The 2028 Senior Secured Notes Indenture also contains customary events of default which would permit the holders of the 2028 Senior Secured Notes to declare the 2028 Senior Secured Notes to be immediately due and payable if not cured within applicable grace periods.

On February 14, 2020, the Guarantors entered into a supplemental indenture (the "2027 Senior Notes Supplemental Indenture"), pursuant to which the Guarantors agreed to guarantee all of Advisor Group's obligations under the indenture, dated as of August 1, 2019, among Advisor Group, the guarantor parties thereto from time to time, and the Trustee (as supplemented, the "2027 Senior Notes Indenture"), and Advisor Group's 10.75% senior unsecured notes due 2027 (the "2027 Senior Notes"), which, as of February 14, 2020, had an outstanding aggregate principal amount of approximately $350,000. On February 20, 2020, the Guarantors entered into a third supplemental indenture, pursuant to which the Guarantors agreed to guarantee an additional $63,000 in 2027 Senior Notes issued by Advisor Group.

The 2027 Senior Notes mature on August 1, 2027. Interest on the 2027 Senior Notes accrues at a rate of 10.75% per annum and is payable semi-annually in arrears on February 1 and August 1 of each year. At any time prior to August 1, 2022, the 2027 Senior Notes may be redeemed, in whole or in part, at a redemption price equal to 100% of the principal amount of such notes plus a make-whole premium, together with accrued but unpaid interest to, but excluding, the redemption date. At any time on or after August 1, 2022, some or all of the 2027 Senior Notes may be redeemed at any time and from time to time at the applicable redemption prices set forth in the 2027 Senior Notes Indenture plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

At any time prior to August 1, 2022, the 2027 Senior Notes may be redeemed with the net cash proceeds received from certain equity offerings at a redemption price equal to 110.750% of the principal amount of such notes, plus accrued but unpaid interest to, but excluding, the redemption date.

The 2027 Senior Notes contain restrictive covenants and other terms that are substantially similar to the 2028 Senior Secured Notes.

On February 14, 2020, the Guarantors, as guarantors, entered into a joinder agreement to Advisor Group's credit agreement with,*inter alios*, the several lending institutions from time to time party thereto and UBS AG, Stamford Branch, as administrative agent, governing the senior secured credit facilities (the "Senior Secured Credit Facilities"). On February 14, 2020, the Senior Secured Credit Facilities consisted of (i) a seven year $1.5 billion senior secured Term Loan B facility (the "Term Loan Facility") and (ii) a $325 million senior secured revolving credit facility (the "Revolving Credit Facility").

Advisor Group is the borrower under the Senior Secured Credit Facilities. The Revolving Credit Facility includes sub-facilities for letters of credit and short-term borrowings referred to as swing line borrowings. In addition, the credit agreement governing the Senior Secured Credit Facilities provides that Advisor Group has the right at any time, subject to customary conditions, to solicit existing or prospective lenders to provide incremental term loans or incremental revolving credit commitments. The lenders under the Senior Secured Credit Facilities are not obligated to provide any such incremental loans or commitments, and any such addition of or increase in loans will be subject to certain customary conditions precedent and other provisions.

Borrowings under the Senior Secured Credit Facilities bear interest, at the option of Advisor Group, at a rate per annum equal to certain margins over either (a) a base rate determined by reference to the highest of (i) the U.S. prime rate published in The Wall Street Journal from time to time, (ii) the federal funds effective rate, plus 1/2 of 1% and (iii) one month LIBOR rate plus 1.00% or (b) a LIBOR rate determined by reference to the London interbank offered rate, adjusted for statutory reserve requirements, subject to a zero percent floor.

During the continuation of any payment event of default, the interest rate will be, with respect to overdue principal, the applicable interest rate, plus 2.00% per annum and, with respect to any other overdue amount, the interest rate applicable to base rate loans, plus 2.00% per annum (other than to defaulting lenders).

A per annum fee equal to the applicable spread over the LIBOR rate under the Revolving Credit Facility in effect from time to time will accrue on the aggregate face amount of outstanding letters of credit under the Revolving Credit Facility, payable in arrears at the end of each quarter after the closing of the Senior Secured Credit Facilities and upon termination of the Revolving Credit Facility. In addition, Advisor Group will pay (a) a fronting fee of 0.125% on the aggregate face amount of outstanding letters of credit under the Revolving Credit Facility, payable in arrears at the end of each quarter after the closing of the Senior Secured Credit Facilities and upon termination of the Revolving Credit Facility and (b) such issuing bank's customary and reasonable issuance and administration fees.

Advisor Group will pay to the lenders under the Revolving Credit Facility (other than defaulting lenders) a commitment fee of 0.50% per annum on the undrawn portion (for this purpose, disregarding swingline loans as a utilization of the Revolving Credit Facility) of the commitments in respect of the Revolving Credit Facility, subject to two step-downs of 12.5 basis points based on meeting specified first lien net leverage ratios. All commitment fees are payable quarterly in arrears upon the termination of the commitments.

The Senior Secured Credit Facilities contain customary mandatory prepayments, including with respect to excess cash flow (solely with respect to the Term Loan Facility), asset sale and casualty proceeds and proceeds from certain incurrences of indebtedness.

Advisor Group may voluntarily repay outstanding loans under the Senior Secured Credit Facilities at any time without premium or penalty, other than reimbursement of redeployment costs with respect to LIBOR loans. Any voluntary prepayment, refinancing or repricing of the term loans under the Term Loan Facility in connection with certain repricing transactions that occur prior to the six-month anniversary of the closing of the Senior Secured Credit Facilities shall be subject to a prepayment premium of 1.00% of the principal amount of the term loans so prepaid, refinanced or repriced (subject to customary exceptions).

The Term Loan Facility matures on August 1, 2026 and will amortize in equal quarterly installments in an aggregate annual amount equal to 1.00% of its original principal amount (subject to reduction in connection with debt prepayments and debt buybacks), with the balance payable on the final maturity date. The Revolving Credit Facility will terminate on the day that is five years after the closing of the Senior Secured Credit Facilities.

All obligations of Advisor Group under the Senior Secured Credit Facilities and, at the option of Advisor Group, the obligations of Advisor Group or any of its restricted subsidiaries under certain hedge agreements and cash management arrangements provided by any lender party to the Senior Secured Credit Facilities or any of its affiliates and certain other persons, are unconditionally guaranteed by AG Parent Corp. ("Holdings") and certain of Advisor Group's existing and subsequently acquired or organized direct or indirect material wholly owned U.S. restricted subsidiaries with customary exceptions including, among other things, for broker dealer subsidiaries and where providing such guarantees is not permitted by law, regulation or contract or would result in adverse tax consequences (other than de minimis) to Holdings, Advisor Group or any of their subsidiaries or any direct or indirect parent thereof.

All obligations of Advisor Group under the Senior Secured Credit Facilities and, at the option of Advisor Group, certain hedge agreements and cash management arrangements provided by any lender party to the Senior Secured Credit Facilities or any of its affiliates and certain other persons, and the guarantees of such obligations, are secured, subject to permitted liens and other exceptions, by (i) a perfected pledge of all the capital stock of each direct, wholly owned material restricted subsidiary held by Advisor Group, Holdings and each subsidiary guarantor (limited to 65% of the capital stock of certain subsidiaries and subject to customary exceptions) and (ii) a perfected security interest in substantially all other tangible and intangible assets of Advisor Group, Holdings and the subsidiary guarantors (subject to customary exceptions).

The Senior Secured Credit Facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, Advisor Group's ability and the ability of the restricted subsidiaries of Advisor Group to: incur additional indebtedness and guarantee certain indebtedness; create or incur liens; engage in mergers or consolidations; sell, transfer or otherwise dispose of assets; pay dividends and distributions or repurchase capital stock; prepay, redeem or repurchase certain indebtedness; make investments, loans and advances; and enter into certain transactions with affiliates. The Revolving Credit Facility contains a springing financial covenant requiring compliance with a certain ratio of first lien net indebtedness to consolidated EBITDA. Breaches of this financial covenant are subject to customary "equity cure" rights.

The Senior Secured Credit Facilities limit Holdings' activities to being a passive holding company and contain certain customary affirmative covenants and events of default for facilities of this type, including relating to a change of control.

If an event of default occurs, the lenders under the Senior Secured Credit Facilities (or, in the case of the springing financial covenant under the Revolving Credit Facility, the lenders under the Revolving Credit Facility) are entitled to take various actions, including the acceleration of amounts due under the Senior Secured Credit Facilities (or the Revolving Credit Facility in the case of such springing financial covenant) and all actions permitted to be taken by secured creditors.

We were in compliance with all covenants in our debt agreements as of December 31, 2019.

Stock Repurchases

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. Since inception through December 31, 2019, 27,226,063 shares of common stock have been repurchased for $73,194 under the program, including 2,041,958 shares repurchased for $7,078 in 2019. The board authorized stock repurchase program expired at the effective time of the Merger as there is no established trading market for shares of our common stock as of the closing date of the Merger.

Lease Agreements

At December 31, 2019, we were obligated under several non-cancellable lease agreements for office space, which provide for future minimum lease payments aggregating approximately $39,453 through January 2030. We have subleased vacant space under subleases to unrelated subtenants, which entitle us to receive rents aggregating approximately $28 through February 2020.

In connection with a new office lease dated March, 2016, Securities America has exercised an option to lease additional office space, for 12 years and would require the payment of an annual rent of $1,707 plus operating expenses of $537, subject to certain adjustments.The annual rent plus operating expenses for the first year of the initial term of the lease is $2,244, payable in monthly installments of $187. 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.

Off-Balance Sheet Arrangements

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 future off-balance-sheet market risk, since its ultimate obligation may exceed the amount recognized in the financial statements.

See Note 16, "Off-Balance-Sheet Risk and Concentration of Credit Risk," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

Contractual Obligations

The table below summarizes information about our contractual obligations as of December 31, 2019 and the effect these obligations are expected to have on our liquidity and cash flow in the future years.

	Payments Due By Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Operating leases(1)	$ 39,453	$ 8,341	$ 11,408	$ 7,529	$ 12,175
Financing leases (2)	424	209	206	9	—
Deferred compensation plan(3)	27,385	6,177	1,307	1,640	18,261
Note payable under subsidiary's term loan with bank(4)	5,005	5,005	—	—	—
Notes payable to Kestler Financial Group's former shareholders (5)	7,681	689	1,111	845	5,036
Notes payable to Four Seasons Financial Group's former shareholders (6)	258	258	—	—	—
6.5% Senior Notes (7)	125,421	5,383	10,765	10,765	98,508
7% Senior Notes (8)	67,571	2,976	5,953	5,953	52,689
7.25% Senior Notes (9)	98,063	4,350	8,700	8,700	76,313
7.75% Senior Notes (10)	99,834	4,456	8,913	8,913	77,552
7.25% Phillip Frost Note (11)	4,439	4,439	—	—	—
7.25% Frost Nevada Trust Note (12)	63,345	63,345	—	—	—
Total	$ 538,879	$ 105,628	$ 48,363	$ 44,354	$ 340,534

(1) It does not include lease obligation plus operating expenses of approximately $27,100 related to a twelve-year lease for a new office building being built for Securities America. This lease obligation commences in 2020. See Note 6 "Leases" and Note 15, "Commitments and Contingencies," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(2) See Note 6, "Leases" to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(3) See Note 12, "Deferred Compensation Plan," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(4) 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. The note bore interest at 5.52% per annum and was payable in 36 monthly installments. The term loan was prepaid in full, without penalty, on February 14, 2020. See Note 14, "Notes Payable," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(5) Notes bear interest at 4% per annum and mature on November 15, 2036. Includes annual cash payments to be made on the anniversary of the closing date for the next two years. See Note 14, "Notes Payable," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(6) Notes bore interest at 3.99% and 4.75% per annum and were scheduled to mature on October 1, 2021 and January 15, 2024, respectively. The notes were prepaid in full, without penalty, on February 14, 2020. Includes annual cash payment to be made on the anniversary of the closing date for the next year. See Note 14, "Notes Payable," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(7) Senior notes bear interest at 6.5% per annum and mature on November 30, 2027. Interest will be paid quarterly in arrears. See Note 14, "Notes Payable," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(8) Senior notes bear interest at 7% per annum and mature on May 31, 2028. Interest will be paid quarterly in arrears. See Note 14, "Notes Payable," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(9) Senior notes bear interest at 7.25% per annum and mature on September 30, 2028. Interest will be paid quarterly in arrears. See Note 14, "Notes Payable," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(10) Senior notes bear interest at 7.75% per annum and mature on June 30, 2029. Interest will be paid quarterly in arrears. See Note 14, "Notes Payable," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(11) Note bears interest at 7.25% per annum and matures on September 30, 2028. In February 2020, the Note was purchased by Advisor Group, our affiliate, and became an intercompany balance. See Note 14, "Notes Payable," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

(12) Note bears interest at 7.25% per annum and matures on September 30, 2028. In February 2020, the Note was purchased by Advisor Group, our affiliate, and became an intercompany balance. See Note 14, "Notes Payable," to the consolidated financial statements included in Part II, Item 8 of this annual report on Form 10-K.

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.

Interest Rate Risk

We offer our advisors and their clients cash sweep vehicles that are interest rate sensitive. Clients earn interest on balances in cash sweep accounts, and we earn service fee revenue. Our fees from our cash sweep programs are sensitive to prevailing interest rates. We attempt to mitigate interest rate risk and strive to create a net interest margin that is relatively stable and predictable over a wide range of interest rates by structuring the mix of funds indexed to the effective federal funds rate and term swap rates. Changes in interest rates and fees and our hedge profile for our cash sweep programs are monitored by our FDIC Sweep Steering Committee.

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 and in other filings with the Securities and Exchange Commission 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 Item 1A above, important factors that could cause actual results to differ materially from those 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 may be required by law.

ITEM 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.***

The information in Item 7 under the captions “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risk” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Interest Rate Risk” is incorporated herein by reference.

ITEM 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.***

See the Consolidated Financial Statements and Notes thereto, together with the report thereon of EisnerAmper LLP dated March 13, 2020, beginning on page F-1 of this report which are incorporated by reference in this Item 8.

ITEM 9. ***CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING ANDFINANCIAL DISCLOSURE.***

None.

ITEM 9A. ***CONTROLS AND PROCEDURES.***

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of 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 have concluded that these controls and procedures were effective as of such date.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f).

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting is designed to provide reasonable assurance to management and to our Board of Directors regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;

(ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

In connection with this annual report on Form 10-K, our chief executive officer and chief financial officer evaluated, with the participation of our management, the effectiveness of our internal control over financial reporting as of the end of the period covered by this report. Based on management's evaluation, our chief executive officer and chief financial officer each concluded that our internal control over financial reporting was effective as of December 31, 2019.

EisnerAmper LLP, an independent registered public accounting firm, has audited our consolidated financial statements and the effectiveness of internal controls over financial reporting as of December 31, 2019 as stated in its report which is included herein.

Changes in Internal Control Over Financial Reporting

Except as set forth, below, there were no changes in our internal control over financial reporting during the year ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

For the year ended December 31, 2018, we implemented new controls which enabled us to prepare our financial statements under ASC 606 on a modified retrospective basis effective January 1, 2018.

Changes were made to the relevant business processes and the related control activities, including information systems, in order to monitor and maintain appropriate controls over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Ladenburg Thalmann Financial Services Inc.

Opinion on Internal Control over Financial Reporting

We have audited Ladenburg Thalmann Financial Services Inc.'s (the "Company") internal control over financial reporting as of December 31, 2019, based on criteria established in the *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in the *Internal Control - Integrated Framework (2013)* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated statements of financial condition of Ladenburg Thalmann Financial Services Inc. as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and our report dated March 13, 2020 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process designed 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. An entity's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and directors of the entity; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ EisnerAmper LLP
EISNERAMPER LLP
New York, New York
March 13, 2020

ITEM 9B. ***OTHER INFORMATION.***

None.

PART III

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.*

This information will be contained in the definitive Proxy Statement for the registrant's 2020 Annual Meeting of Shareholders if filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year covered by this report or, alternatively, by amendment to this Form 10-K under cover of Form 10-K/A no later than the end of such 120 day period.

ITEM 11. *EXECUTIVE COMPENSATION.*

This information will be contained in the definitive Proxy Statement for the registrant's 2020 Annual Meeting of Shareholders if filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year covered by this report or, alternatively, by amendment to this Form 10-K under cover of Form 10-K/A no later than the end of such 120 day period.

ITEM 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.*

This information will be contained in the definitive Proxy Statement for the registrant's 2020 Annual Meeting of Shareholders if filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year covered by this report or, alternatively, by amendment to this Form 10-K under cover of Form 10-K/A no later than the end of such 120 day period.

ITEM 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.*

This information will be contained in the definitive Proxy Statement for the registrant's 2020 Annual Meeting of Shareholders if filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year covered by this report or, alternatively, by amendment to this Form 10-K under cover of Form 10-K/A no later than the end of such 120 day period.

ITEM 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES.*

This information will be contained in the definitive Proxy Statement for the registrant's 2020 Annual Meeting of Shareholders if filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year covered by this report or, alternatively, by amendment to this Form 10-K under cover of Form 10-K/A no later than the end of such 120 day period.

PART IV

ITEM 15. *EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.*

(a)(1): Index to 2019 Consolidated Financial Statements

The consolidated financial statements and the notes thereto, together with the report thereon of EisnerAmper LLP dated March 13, 2020, appear beginning on page F-1 of this report.

(a)(2): Financial Statement Schedules

Financial statement schedules not included in this report have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or the notes thereto.

(a)(3): Exhibits Filed

The following exhibits are filed as part of this annual report on Form 10-K.

EXHIBIT INDEX

Exhibit No.	Description	Incorporated By Reference from Document	No. in Document
2.1	Asset Purchase Agreement, dated as of August 31, 2018, by and among Kestler Financial Group, Inc., Jason A. Kestler and Ladenburg Thalmann Annuity Insurance Services LLC.	Z	2.1
2.2	Stock Purchase Agreement, dated August 16, 2011, by and between the Company and Ameriprise Financial, Inc.	I	2.1
2.3	Agreement and Plan of Merger, dated November 11, 2019, by and among the Company, Advisor Group Holdings, Inc. and Harvest Merger Sub, Inc.	DD	2.1
3.1	Articles of Incorporation.	A	3.1
3.2	Articles of Amendment to the Articles of Incorporation, dated August 24, 1999.	B	3.2
3.3	Articles of Amendment to the Articles of Incorporation, dated April 3, 2006.	C	3.1
3.4	Articles of Amendment to the Articles of Incorporation, dated May 9, 2013.	L	3.1
3.5	Articles of Amendment to the Articles of Incorporation, dated May 21, 2013.	M	3.6
3.6	Articles of Amendment to the Articles of Incorporation, dated June 20, 2013.	N	3.1
3.7	Articles of Amendment to the Articles of Incorporation, dated June 9, 2014.	O	3.1
3.8	Articles of Amendment to the Articles of Incorporation, dated June 25, 2014.	P	3.1
3.9	Articles of Amendment to the Articles of Incorporation, dated November 20, 2014.	Q	3.1
3.10	Articles of Amendment to the Articles of Incorporation, dated May 20, 2015.	S	3.1
3.11	Articles of Amendment to the Articles of Incorporation, dated May 18, 2016.	U	3.1
3.12	Articles of Amendment to the Articles of Incorporation, dated May 18, 2017.	V	3.1
3.13	Amended and Restated Bylaws.	D	3.2
4.1	Form of common stock certificate.	A	4.1
4.2	Specimen 8.00% Series A Cumulative Redeemable Preferred Stock Certificate.	M	4.1

4.3	Indenture, dated as of November 21, 2017, between the Company and U.S. Bank National Association, as Trustee.	W	4.1
4.4	First Supplemental Indenture, dated as of November 21, 2017, between the Company and U.S. Bank National Association, as Trustee.	W	4.2
4.5	Form of 6.50% Senior Note due 2027 (included as Exhibit A to Exhibit 4.4 above).	W	4.2
4.6	Promissory Note, dated as of August 31, 2018, issued by Ladenburg Thalmann Annuity Insurance Services LLC to Kestler Financial Group, Inc.	Z	4.1
4.7	Second Supplemental Indenture, dated as of May 30, 2018, between the Company and U.S. Bank National Association, as Trustee.	AA	4.1
4.8	Form of 7.00% Senior Note due 2028 (included as Exhibit A to Exhibit 4.7 above).	AA	4.2
4.9	Third Supplemental Indenture, dated as of August 16, 2018, between the Company and U.S. Bank National Association, as Trustee.	BB	4.1
4.10	Form of 7.25% Senior Note due 2028 (included as Exhibit A to Exhibit 4.9 above).	BB	4.2
4.11	Form of 7.25% Senior Note due 2028 issued to Phillip Frost, M.D. and Frost Nevada Investments Trust.	CC	4.1
4.12	Fourth Supplemental Indenture, dated as of May 29, 2019, between the Company and U.S. Bank National Association, as Trustee.	EE	4.1
4.13	Form of 7.75% Senior Note due 2029 (included as Exhibit A to Exhibit 4.12 above).	EE	4.2
4.14	Description of Registered Securities	**	—
10.1	Office Lease dated March 30, 2007 between Ladenburg Thalmann & Co., Inc. and Frost Real Estate Holdings, LLC.	E	10.1
10.2	Amendment and Lease Extension Agreement, dated as of March 8, 2013, between Ladenburg Thalmann & Co. Inc. and Frost Real Estate Holdings, LLC.	K	10.1
10.3	3rd Amendment and Lease Extension Agreement, dated as of March 1, 2018, between Ladenburg Thalmann & Co. Inc. and Frost Real Estate Holdings, LLC.	Y	10.1
10.4	Employment Agreement, dated as of January 20, 2015, between the Company and Mark Zeitchick.*	R	10.2
10.5	Employment Agreement, dated as of January 20, 2015, between the Company and Richard Lampen.*	R	10.1
10.6	Employment Letter, dated as of January 30, 2013, by and between the Company and Joseph Giovanniello, Jr. *	K	10.1
10.7	Employment Letter, dated as of February 8, 2008, between the Company and Brett Kaufman.*	G	10.1
10.8	Employment Agreement, dated as of January 16, 2018, between the Company and Adam Malamed.*	X	10.1
10.9	Lease, dated as of August 13, 2010, between Investacorp Group, Inc. and Frost Real Estate Holdings, LLC.	H	10.1
10.10	Amendment and Lease Extension Agreement, dated as of February 22, 2016, between Investacorp Group, Inc. and Frost Real Estate Holdings, LLC.	T	10.1
21	List of Subsidiaries	**	—
24	Power of Attorney	***	—

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.LAB	XBRL Taxonomy Extension Label Linkbase	**	—
101.PRE	XBRL Taxonomy Extension Presentation Linkbase	**	—

* Management Compensation Contract

** Filed herewith

*** Contained on the signature page hereto

**** Furnished herewith

A. Registration statement on Form SB-2 (File No. 333-31001).

B. Annual report on Form 10-K for the year ended August 24, 1999.

C. Quarterly report on Form 10-Q for the quarter ended June 30, 2006.

D. Current report on Form 8-K, dated September 20, 2007 and filed with the SEC on September 21, 2007.

E. Current report on Form 8-K, dated March 30, 2007 and filed with the SEC on April 2, 2007.

F. Current report on Form 8-K, dated February 26, 2014 and filed with the SEC on February 28, 2014.

G. Current report on Form 8-K, dated March 27, 2008 and filed with the SEC on March 28, 2008.

H. Current report on Form 8-K, dated August 10, 2010 and filed with the SEC on August 13, 2010.

I. Current report on Form 8-K, dated August 16, 2011 and filed with the SEC on August 18, 2011.

J. Current report on Form 8-K, dated January 30, 2013 and filed with the SEC on February 4, 2013.

K. Current report on Form 8-K, dated March 8, 2013 and filed with the SEC on March 8, 2013.

L. Current report on Form 8-K, dated May 9, 2013 and filed with the SEC on May 15, 2013.

M. Registration statement on Form 8-A, filed with the SEC on May 24, 2013.

N. Current report on Form 8-K, dated June 24, 2013 and filed with the SEC on June 25, 2013.

O. Current report on Form 8-K, dated June 12, 2014 and filed with the SEC on June 13, 2014.

P. Current report on Form 8-K, dated June 25, 2014 and filed with the SEC on June 27, 2014.

Q. Current report on Form 8-K, dated November 21, 2014 and filed with the SEC on November 21, 2014.

R. Current report on Form 8-K, dated January 20, 2015 and filed with the SEC on January 23, 2015.

S. Current report on Form 8-K, dated May 22, 2015 and filed with the SEC on May 22, 2015.

T. Current report on Form 8-K, dated February 22, 2016 and filed with the SEC on February 26, 2016.

U. Current report on Form 8-K, dated May 18, 2016 and filed with the SEC on May 20, 2016.

V. Current report on Form 8-K, dated May 22, 2017 and filed with the SEC on May 22, 2017.

W. Current report on Form 8-K, dated November 21, 2017 and filed with the SEC on November 21, 2017.

X. Current report on Form 8-K, dated January 16, 2018 and filed with the SEC on January 22, 2018.

Y. Current report on Form 8-K, dated February 28, 2018 and filed with the SEC on March 6, 2018.

Z. Current report on Form 8-K, dated August 31, 2018 and filed with the SEC on September 7, 2018.

AA. Current report on Form 8-K, dated May 30, 2018 and filed with the SEC on May 30, 2018.

BB. Current report on Form 8-K, dated August 16, 2018 and filed with the SEC on August 16, 2018.

CC. Current report on Form 8-K, dated December 24, 2018 and filed with the SEC on December 26, 2018.

DD. Current report on Form 8-K, dated November 14, 2019 and filed with the SEC on November 14, 2019.

EE. Current report on Form 8-K, dated May 29, 2019 and filed with the SEC on May 29, 2019.

ITEM 16. ***FORM 10-K SUMMARY.***

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)
Dated: March 13, 2020
By: /s/ Brett H. Kaufman
Name: Brett H. Kaufman
Title: Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

POWER OF ATTORNEY

The undersigned directors and officers of Ladenburg Thalmann Financial Services Inc. hereby constitute and appoint Brett H. Kaufman, Jamie Price and Ahmed Hassanein, and each of them, with full power to act without the other and with full power of substitution and resubstitution, our true and lawful attorneys-in-fact with full power to execute in our name and behalf in the capacities indicated below, this annual report on Form 10-K and any and all amendments thereto and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby ratify and confirm all that such attorneys-in-fact, or any of them, or their substitutes shall lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 13, 2020.

Signatures	Title
/s/ Jamie Price Jamie Price	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ Brett H. Kaufman Brett H. Kaufman	Senior Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ Ahmed Hassanein Ahmed Hassanein	Director
/s/ Matt Schlueter Matt Schlueter	Director

LADENBURG THALMANN FINANCIAL SERVICES INC.

FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2019

ITEMS 8 and 15(a) (1) AND (2)
INDEX TO FINANCIAL STATEMENTS

Financial Statements of the Registrant and its subsidiaries required to be included in Items 8 and 15(a) (1) and (2) are listed below:

FINANCIAL STATEMENTS:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Ladenburg Thalmann Financial Services Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of financial condition of Ladenburg Thalmann Financial Services Inc. (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 13, 2020 expressed an unqualified opinion.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ EisnerAmper LLP

We have served as the Company’s auditor since 2002.

EISNERAMPER LLP
New York, New York
March 13, 2020

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

	December 31,	
	2019	2018
ASSETS		
Cash and cash equivalents	$ 248,772	$ 182,693
Securities owned, at fair value	4,449	10,923
Receivables from clearing brokers	23,086	24,068
Receivables from other broker-dealers	4,051	7,078
Notes receivable from financial advisors, net	8,781	5,809
Other receivables, net	71,810	68,942
Insurance trailing commissions receivable	73,782	64,300
Fixed assets, net	33,750	29,994
Right-of-use assets	30,571	—
Restricted cash	770	6,588
Intangible assets, net	59,998	73,064
Goodwill	126,079	126,079
Contract acquisition costs, net	87,942	80,726
Cash surrender value of life insurance	15,230	11,406
Income taxes receivable	—	2,156
Other assets	40,865	47,078
Total assets	$ 829,936	$ 740,904
LIABILITIES AND SHAREHOLDERS' EQUITY		
Securities sold, but not yet purchased, at fair value	$ 420	$ 2,575
Accrued compensation	40,350	39,264
Commissions and fees payable	109,719	105,306
Accounts payable and accrued liabilities	50,038	48,741
Deferred rent	—	2,956
Lease liability	33,510	—
Deferred income taxes	12,269	14,068
Deferred compensation liability	26,722	20,622
Accrued interest	—	123
Notes payable, net of unamortized discount of $5,718 and $6,372 in 2019 and 2018, respectively, and net of debt issuance costs of $8,642 and $7,086 in 2019 and 2018 respectively.	315,443	254,072
Total liabilities	588,471	487,727
Commitments and contingencies (Note 15)		
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, 149,311,259 in 2019 and 146,535,796 in 2018	15	14
Additional paid-in capital	309,918	344,356
Accumulated deficit	(68,479)	(91,246)
Total shareholders' equity of the Company	241,456	253,126
Noncontrolling interest	9	51
Total shareholders' equity	241,465	253,177
Total liabilities and shareholders' equity	$ 829,936	$ 740,904

See accompanying notes.

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

	Year Ended December 31,		
	2019	2018	2017
Revenues:			
Commissions	$ 724,605	$ 696,331	$ 536,028
Advisory fees	510,609	474,423	560,930
Investment banking	54,043	56,256	46,453
Principal transactions	1,452	(328)	857
Interest and dividends	5,289	4,971	2,550
Service fees	132,029	119,430	85,330
Other income	41,275	40,053	36,004
Total revenues	1,469,302	1,391,136	1,268,152
Expenses:			
Commissions and fees	1,025,556	976,596	928,430
Compensation and benefits	210,811	194,045	171,344
Non-cash compensation	6,106	5,882	5,539
Brokerage, communication and clearance fees	14,057	16,088	18,124
Rent and occupancy, net of sublease revenue	10,603	9,977	9,356
Professional services	19,403	21,927	19,588
Interest	23,119	10,796	2,710
Depreciation and amortization	22,294	24,039	28,835
Acquisition-related expenses	5,887	1,010	3,469
Amortization of retention and forgivable loans	549	417	7,396
Amortization of contract acquisition costs	11,759	9,671	—
Other	88,487	73,285	72,200
Total expenses	1,438,631	1,343,733	1,266,991
Income before item shown below	30,671	47,403	1,161
Change in fair value of contingent consideration	(664)	(238)	19
Income before income taxes	30,007	47,165	1,180
Income tax expense (benefit)	7,282	13,379	(6,502)
Net income	22,725	33,786	7,682
Net income (loss) attributable to noncontrolling interest	(42)	28	(15)
Net income attributable to the Company	$ 22,767	$ 33,758	$ 7,697
Dividends declared on preferred stock	(34,689)	(34,031)	(32,482)
Net loss available to common shareholders	$ (11,922)	$ (273)	$ (24,785)
Net loss per share available to common shareholders (basic)	$ (0.08)	$ (0.00)	$ (0.13)
Net loss per share available to common shareholders (diluted)	$ (0.08)	$ (0.00)	$ (0.13)
Weighted average common shares used in computation of per share data:			
Basic	143,372,266	194,562,916	193,064,550
Diluted	143,372,266	194,562,916	193,064,550

See accompanying notes.

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

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Total
Balance - December 31, 2016	15,844,916	$ 1	194,057,738	$ 19	$ 519,879	$ (157,425)	$ 27	$ 362,501
Issuance of common stock under employee stock purchase plan	—	—	167,016	—	420	—	—	420
Exercise of stock options, net of 1,715,019 shares tendered in payment of exercise price	—	—	2,661,647	1	4,825	—	—	4,826
Exercise of warrants	—	—	2,000,000	—	3,820	—	—	3,820
Stock-based compensation to consultants and independent financial advisors	—	—	—	—	57	—	—	57
Stock-based compensation to employees	—	—	—	—	5,482	—	—	5,482
Issuance of restricted stock	—	—	1,791,000	—	—	—	—	—
Restricted stock forfeitures	—	—	(5,000)	—	—	—	—	—
Repurchase and retirement of common stock, including 218,587 shares surrendered for taxes and expenses and 19,658 shares tendered in payment of exercise price	—	—	(2,088,460)	—	(5,293)	—	—	(5,293)
Repurchase of option award for cash	—	—	—	—	(850)	—	—	(850)
Preferred stock issued, net of underwriting discount and expense of $958	1,167,159	1	—	—	28,094	—	—	28,095
Preferred stock dividends declared and paid	—	—	—	—	(32,482)	—	—	(32,482)
Commons stock dividends declared and paid	—	—	—	—	(3,880)	—	—	(3,880)
Cumulative effect of adoption of ASU 2016-09 (Note 4)					63	(50)		13
Net income	—	—	—	—	—	7,697	(15)	7,682

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

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Total
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 4)						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	—	—	161,968	—	453	—	—	453
Exercise of stock options (net of 1,194,324 shares tendered in payment of exercise price)	—	—	3,199,511	—	3,813	—	—	3,813
Stock-based compensation granted to consultants and independent financial advisors	—	—	—	—	34	—	—	34
Stock-based compensation to employees	—	—	—	—	5,848	—	—	5,848
Issuance of restricted stock	—	—	2,172,000	—	—	—	—	—
Restricted stock forfeitures	—	—	(106,250)	—	—	—	—	—
Repurchase and retirement of common stock, including 522,190 shares surrendered for tax withholdings and 19,294 shares tendered in payment of exercise price	—	—	(57,475,374)	(6)	(139,829)	—	—	(139,835)
Repurchase of option award for cash	—	—	—	—	(3,000)	—	—	(3,000)
Preferred stock issued, net of underwriting discount and expense of $273	—	—	—	—	(273)	—	—	(273)
Preferred stock dividends declared and paid	—	—	—	—	(34,031)	—	—	(34,031)
Commons stock dividends declared and paid	—	—	—	—	(8,794)	—	—	(8,794)
Net income	—	—	—	—	—	33,758	28	33,786
Balance - December 31, 2018	17,012,075	$ 2	146,535,796	$ 14	$ 344,356	$ (91,246)	$ 51	$ 253,177

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

	Preferred Stock		Common Stock					
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Accumulated Deficit	Noncontrolling Interest	Total
Issuance of common stock under employee stock purchase plan	—	—	159,212	—	447	—	—	447
Exercise of stock options, net of 663,979 shares tendered in payment of exercise price	—	—	3,100,261	—	2,331	—	—	2,331
Stock-based compensation granted to consultants and independent financial advisors	—	—	—	—	23	—	—	23
Stock-based compensation to employees	—	—	—	—	6,083	—	—	6,083
Issuance of restricted stock	—	—	2,785,000	1	—	—	—	1
Unvested restricted stock forfeitures	—	—	(82,500)	—	—	—	—	—
Repurchase and retirement of common stock, including 1,004,519 shares surrendered for tax withholdings and 12,673 shares tendered in exercise of options	—	—	(3,186,510)	—	(10,880)			(10,880)
Preferred stock issued, net of underwriting discount and expense of $4	389,207	—	—	—	9,426	—	—	9,426
Preferred stock dividends declared and paid	—	—	—	—	(34,689)	—	—	(34,689)
Common stock dividends declared and paid	—	—	—	—	(7,179)	—	—	(7,179)
Net income (loss)	—	—	—	—	—	22,767	(42)	22,725
Balance - December 31, 2019	17,401,282	$ 2	149,311,259	$ 15	$ 309,918	$ (68,479)	$ 9	$ 241,465

See accompanying notes.

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

	Year Ended December 31,		
	2019	**2018**	**2017**
Cash flows from operating activities:			
Net income	$ 22,725	$ 33,786	$ 7,682
Adjustments to reconcile net income to net cash provided by operating activities:			
Change in fair value of contingent consideration	664	238	(19)
Adjustment to deferred rent	—	805	387
Amortization of right-of-use assets	7,603	—	—
Amortization of intangible assets	13,071	15,578	21,327
Depreciation and other amortization	9,223	8,461	7,508
Amortization of debt discount	654	432	449
Amortization of debt issue cost	882	591	41
Amortization of retention and forgivable loans	549	417	7,396
Amortization of contract acquisition costs	11,759	9,671	—
Deferred income taxes	(1,799)	8,130	(7,662)
Benefit attributable to reduction of goodwill	—	541	—
Non-cash interest expense on forgivable loan	—	—	24
Gain on forgiveness of accrued interest under forgivable loans	—	(79)	(295)
Gain on forgiveness of principal of note payable under forgivable loans	—	(2,143)	(2,143)
Non-cash compensation expense	6,106	5,882	5,539
Loss on write-off of furniture, fixtures and leasehold improvements, net	22	26	21
(Increase) decrease in operating assets:			
Securities owned, at fair value	6,474	(7,042)	(338)
Receivables from clearing brokers	982	24,475	(7,051)
Receivables from other broker-dealers	3,027	(4,256)	(1,969)
Other receivables, net	(2,868)	(13,886)	(6,073)
Insurance Trailing Commissions Receivable	(9,482)	—	—
Contract acquisition costs, net	(18,975)	(29,057)	—
Notes receivable from financial advisors, net	(3,521)	577	(21,563)
Cash surrender value of life insurance	(3,824)	1,305	(2,501)
Income taxes receivable	2,156	(2,156)	—
Other assets	6,213	(15,366)	219
Increase (decrease) in operating liabilities:			
Securities sold, but not yet purchased, at fair value	(2,155)	2,344	(151)
Accrued compensation	1,086	5,959	7,044
Accrued interest	(123)	(30)	222
Commissions and fees payable	4,413	8,690	6,627
Deferred compensation liability	6,100	2,461	914
Lease liability	(7,757)	—	—
Accounts payable and accrued liabilities	812	7,018	580
Net cash provided by operating activities	54,017	63,372	16,215
Cash flows from investing activities:			
Acquisition of Kestler Financial Group, net of cash received	—	(2,850)	—
Acquisition of Four Seasons Financial Group, net of cash received	—	(450)	—
Other business acquisitions	—	—	(179)
Purchases of fixed assets	(13,044)	(14,502)	(9,896)
Purchase of intangible assets	(5)	(6)	—
Net proceeds from sale of equipment/disposal	1	—	—
Net cash used in investing activities	(13,048)	(17,808)	(10,075)
Cash flows from financing activities:			
Issuance of Series A preferred stock	9,426	(273)	28,095
Issuance of common stock	2,778	4,266	9,066
Series A preferred stock dividends paid	(34,689)	(34,031)	(32,482)
Common stock dividends paid	(7,179)	(8,794)	(3,880)

Repurchases and retirement of common stock	(10,880)	(69,746)	(5,293)
Repurchase of stock option award for cash	—	(3,000)	(850)
Additional issuance costs related to SSN notes	—	—	(40)
Issuance of senior notes	55,062	104,375	73,197
Borrowings on term loan	7,000	—	8,000
Principal repayments on notes payable	(309)	(15,253)	(7,039)
Bank loan and revolver repayments	(1,917)	(6,690)	(1,992)
Net cash provided by (used in) financing activities	19,292	(29,146)	66,782
Net increase in cash and cash equivalents	60,261	16,418	72,922
Cash and cash equivalents including restricted cash, beginning of period	189,281	172,863	99,941
Cash and equivalents at end of period:			
Cash and cash equivalents	$ 248,772	$ 182,693	$ 172,103
Restricted cash	770	6,588	760
Cash and cash equivalents including restricted cash, end of period	$ 249,542	$ 189,281	$ 172,863
Supplemental cash flow information:			
Interest paid	$ 21,706	$ 9,870	$ 1,974
Taxes paid	4,784	6,956	1,487
Acquisition of Foothill Securities Inc.:			
Payable to seller	—	—	(179)
Net cash paid in acquisition	$ —	$ —	$ (179)
Acquisition of Kestler Financial Group:			
Assets acquired	$ —	$ 9,093	$ —
Liabilities assumed	—	(793)	—
Net assets acquired	—	8,300	—
Promissory note	—	(5,450)	—
Net cash paid in acquisition	$ —	$ 2,850	$ —
Acquisition of Four Seasons Financial Group:			
Assets acquired	$ —	$ 2,345	$ —
Liabilities assumed	—	(1,523)	—
Net assets acquired	—	822	—
Promissory note	—	(372)	—
Net cash paid in acquisition	$ —	$ 450	$ —
Non-cash financing activities:			
Issuance of 7.25% notes for repurchase of common stock	$ —	$ 76,350	$ —

See accompanying notes.

1. Description of Business

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

Effective February 14, 2020. LTS became a wholly-owned subsidiary of Advisor Group Holdings, Inc., which is owned by private investment funds sponsored by Reverence Capital Partners LLC.

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', 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.

See Note 23 for more information.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly- owned, except for one subsidiary organized in 2013, which is 80% owned, after elimination of all significant intercompany balances and transactions.

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

Use of Estimates

The preparation of these consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity of three months or less when acquired to be cash equivalents. Cash equivalents at December 31, 2019 and 2018 consist of money market funds which are carried at fair value of $201,262 and $122,210, respectively. Fair value is based on quoted prices in active markets (Level 1).

Revenue Recognition

Commissions revenue results from transactions in equity securities, mutual funds, variable annuities and other financial products and services. Most of the commission and advisory fee revenue generated by independent contractor financial advisors is paid to the advisors as commissions and fees for initiating the transactions.

Commission revenue is generated from front-end sales commissions that occur at the point of sale, as well as trailing commissions. Front-end sales commission revenue and related clearing and other expenses on transactions introduced to its clearing broker are recognized on a trade date basis. Front-end sales commissions and related expenses on transactions initiated directly between the financial advisors and product sponsors are recognized upon receipt of notification from sponsors of the commission earned. Commission revenue also includes 12b-1 fees, and fixed and variable product trailing fees, collectively considered as trailing fees, which are recurring in nature. These trailing fees are earned based on a percentage of the current market value of clients' investment holdings in trail eligible assets. Because trail commission revenues are generally paid in arrears, management estimates commission revenues earned during each period. These estimates are based on a number of factors including investment holdings and the applicable commission rate and the amount of trail commission revenue received in prior periods. Estimates are subsequently adjusted to actual based on notification from the sponsors of trail commissions earned.

Commissions are also earned on the sale of insurance policies. Commissions are generally paid each year as long as the client continues to use the product. Commissions paid by insurance carriers are based on a percentage of the premium that the insurance carrier charges to the policyholder. First-year commissions are calculated as a percentage of the first twelve months' premium on the policy and earned in the year that the policy is originated. In many cases, renewal commissions are received for a period following the first year, if the policy remains in force. Insurance commissions are recognized as revenue when the following criteria are met: (1) the policy application and other carrier delivery requirements are substantially complete, (2) the premium is paid and (3) the insured party is contractually committed to the purchase of the insurance policy. Carrier delivery requirements may include additional supporting documentation, signed amendments and premium payments. Commissions earned on renewal premiums are considered variable consideration and, 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.

Advisory fee revenue represents fees charged by registered investment advisors to their clients based upon the value of client assets under management. Advisory fees are recorded as earned over time as the services are performed. Since advisory fees are based on assets under management, significant changes in the fair value of these assets will have an impact on the fees earned in future periods. Incentive fees are also earned based upon the performance of investment funds and accounts.

Investment banking revenue consists of underwriting revenue, strategic advisory revenue and private placement fees. Underwriting revenues arise from securities offerings in which Ladenburg acts as an underwriter and include management fees, selling concessions and underwriting fees, net of related syndicate expenses. Underwriting revenues are recorded at the time the underwriting is completed and the income is reasonably determined. Strategic advisory revenue primarily consists of success fees on completed mergers and acquisitions transactions, and retainer and periodic fees earned by advising buyers and sellers in transactions. Fees are also earned for related strategic advisory work and other services such as providing fairness opinions and valuation analyses. Strategic advisory revenues are recorded when the transactions or the services (or, if applicable, separate components thereof) to be performed are substantially complete, the fees are determinable and collection is reasonably assured. Private placement fees, net of expenses, are recorded on the closing date of the transaction.

Principal transactions revenue includes realized and unrealized net gains and losses resulting from investments in equity securities and equity-linked warrants received from certain investment banking assignments.

Interest is recorded on an accrual basis and dividends are recorded on an ex-dividend date basis.

Service fees and other income principally includes amounts charged to independent financial advisors for processing of securities trades and for providing administrative and compliance services, fees earned for arranging the cash sweep programs between the customers and third-party banks, conference revenues and also marketing allowances earned from product sponsor programs. All such amounts are recorded as earned.

As a result of adopting ASU No. 2014-09, “Revenue from Contracts with Customers (Topic 606)” effective January 1, 2018, the Company amended its accounting policies on the recognition and presentation of certain revenues and related expenses. See Note 4 for further information.

Fixed Assets

Fixed assets are carried at cost net of accumulated depreciation and amortization. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized on a straight-line basis over the lease term, or their estimated useful lives, whichever is shorter.

Share-Based Compensation

The Company measures the cost of employee, officer and director services received in exchange for an award of equity instruments, including stock options and restricted stock, based on the grant-date fair value of the award. The cost is recognized as compensation expense over the service period, which would normally be the vesting period of the equity instruments.

Compensation expense for share-based awards granted to independent contractors is measured at their vesting date fair value. The compensation expense recognized each period prior to vesting is based on the awards' estimated value at the most recent reporting date.

Intangible Assets

Intangible assets are amortized over their estimated useful lives, generally on a straight-line basis. Intangible assets subject to amortization are tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Company assesses the recoverability of its intangible assets by determining whether the unamortized balance can be recovered over the assets’ remaining life through undiscounted forecasted cash flows.

If undiscounted forecasted cash flows indicate that the unamortized amounts will not be recovered, an adjustment will be made to reduce such amounts to fair value determined based on forecasted future cash flows discounted at a rate commensurate with the risk associated with achieving such cash flows. Future cash flows are based on trends of historical performance and the Company's estimate of future performance, giving consideration to existing and anticipated competitive and economic conditions. See Note 9.

Goodwill

Goodwill, which was recorded in connection with acquisitions of subsidiaries (see Notes 3 and 10), is not subject to amortization and is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. The impairment test consists of a comparison of the fair value of the reporting unit with its carrying amount. Fair value is typically based upon forecasted future cash flows discounted at a rate commensurate with the risk involved or market based comparables. If the carrying amount of the reporting unit exceeds its fair value then an analysis will be performed to compare the implied fair value of goodwill with the carrying amount of goodwill. An impairment loss will be recognized in an amount equal to the excess of the carrying amount over the implied fair value. After an impairment loss is recognized, the adjusted carrying amount of goodwill is its new accounting basis. Accounting guidance on the testing of goodwill for impairment allows entities the option of performing a qualitative assessment to determine the likelihood of goodwill impairment and whether it is necessary to perform such two-step quantitative impairment test.

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 of $36,522 and corresponding lease liabilities of$39,483, 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 of $2,961 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 6 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 adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 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. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements and related disclosures.

3. Acquisitions

Kestler Financial Group, Inc.

In August 2018, an affiliate of Highland purchased certain assets of the insurance distribution business operated by Kestler Financial Group, Inc. ("KFG"), an independent insurance and annuity distribution company, located in Leesburg, Virginia. This asset purchase was deemed to be an asset acquisition. Under the terms of an asset purchase agreement, an affiliate of Highland purchased certain KFG assets, including the rights to the "Kestler Financial Group" name and brand. In October 2018, Securities America purchased certain assets of the brokerage business operated by KFG.

The consideration for the KFG insurance distribution transaction was $7,926, consisting of cash of $1,683 paid at closing, a $165 cash payment to be made on the first anniversary of the closing date, a promissory note in the original principal amount of $5,450, contingent consideration having a fair value of $619 for which a liability was recognized based on estimated acquisition-date fair value of the potential earn-out and additional liabilities of $9. At December 31, 2019, the fair value of contingent consideration was $606.

The consideration for the KFG brokerage business transaction, which closed in October 2018, was $1,167, consisting of cash of $537 paid at closing (including $271 of reimbursable expenses), a $266 cash payment to be made on each anniversary of the closing date for the next three years having a fair value of $630 and contingent consideration having a fair value of $0. At December 31, 2019, the fair value of contingent consideration was $30.

The liability was valued using an income-based approach of the earn-out's probability-weighted expected payout using three earn-out scenarios. The measurement of the earn-out, which relates to a five year period, is based on unobservable inputs (Level 3) and reflects the Company's own assumptions. The purchase price for the KFG transaction was allocated $7,083 to identifiable intangibles and other assets and $2,010 to goodwill.

Four Seasons Financial Group, Inc.

In November 2018, Highland purchased certain assets of Four Seasons Financial Group, Inc. ("FSFG"), a wholesale insurance distribution business located in Marlton, New Jersey. The consideration for the FSFG transaction was $2,345, consisting of cash of $450 paid at closing, a $450 cash payment to be made on each anniversary of the closing date for the two years after closing, promissory notes in the original principal amount of $372 and contingent consideration having a fair value of $622. At December 31, 2019, the fair value of contingent consideration was $694.

The liability was valued using an income-based approach of the earn-out's probability-weighted expected payout using four earn-out scenarios. The measurement of the earn-out, which relates to a five year period, is based on unobservable inputs (Level 3) and reflects the Company's own assumptions. The purchase price for the FSFG transaction was allocated (preliminary) $1,945 to identifiable intangibles and other assets and $400 to goodwill.

Results of operations relating to KFG, FSFG and Foothill which are included in the accompanying consolidated statements of operations from their respective date of acquisition, were not material. Also, based on materiality, pro-forma results were not presented.

4. 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 applied its provisions to all uncompleted contracts using the modified retrospective method. The Company recognized the cumulative effect of initially applying ASC 606 as an adjustment to increase the opening balance of retained earnings by $24,109. 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. Previously, the Company recognized trailing commissions as payment was received. 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. Previously, the Company presented revenue on a gross or net basis depending on how payment was received.

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. Historically, the Company has generally recognized advisory fee revenue on a gross basis based on the fees charged by the independent financial advisors to their clients. Accordingly, the Company's reported advisory revenue and the independent financial advisors' compensation in the Company's independent advisory and brokerage services segment is materially lower in 2019 and 2018 as compared to the prior-year period and 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 will be 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. Under accounting standards in effect for periods prior to 2018, the Company recognized all underwriting revenue on a net basis.

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. Under the accounting standards in effect for periods prior to 2018, retainer fees were deferred and amortized over the estimated duration of the engagement.

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, consistent with practice under the accounting standards in effect for those periods, except for out-of-pocket reimbursements previously presented on a net 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, consistent with practice under the accounting standards in effect for those periods, except for out-of-pocket reimbursements previously presented on a net 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. Thee fees are for marketing support and sales force education and training efforts. Compensation for these performance obligations is generally calculated as a fixed fee, or 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 tables, revenue is disaggregated by service line and segment:

For the Year Ended December 31, 2019	Independent Advisory and Brokerage Services	Ladenburg	Insurance Brokerage	Corporate	Total
Commissions	$ 531,503	$ 9,407	$ 183,695	$ —	$ 724,605
Advisory fees	502,699	7,910	—	—	510,609
Investment banking	961	53,082	—	—	54,043
Principal transactions	26	1,257	—	169	1,452
Interest and dividends	2,551	1,023	—	1,715	5,289
Service fees	128,546	2,328	—	1,155	132,029
Other income	38,040	516	2,516	203	41,275
Total revenues	$ 1,204,326	$ 75,523	$ 186,211	$ 3,242	$ 1,469,302

For the Year Ended December 31, 2018	Independent Advisory and Brokerage Services	Ladenburg	Insurance Brokerage	Corporate	Total
Commissions	$ 540,523	$ 11,468	$ 144,340	$ —	$ 696,331
Advisory fees	467,044	7,170	—	209	474,423
Investment banking	947	56,163	—	(854)	56,256
Principal transactions	22	(524)	—	174	(328)
Interest and dividends	2,566	839	—	1,566	4,971
Service fees	116,047	2,495	—	888	119,430
Other income	33,894	483	2,787	2,889	40,053
Total revenues	$ 1,161,043	$ 78,094	$ 147,127	$ 4,872	$ 1,391,136

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, net while estimated expenses on trailing commissions are included in commissions and fees payable on the consolidated statements of financial condition:

	As of December 31, 2019	As of December 31, 2018
Contract assets - Insurance trailing commissions	$ 73,782	$ 64,300
Contract liabilities - Insurance trailing commissions	35,977	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 $32,009 in estimated trailing commissions from new policies during the year ended December 31, 2019, respectively, while decreases were driven by $22,527 in actual commissions received during the period ended December 31, 2019, respectively. Increases to the contract liability were a result of $15,637 in estimated commission expense from new policies during the period ended December 31, 2019, respectively, while decreases were driven by $11,514 in actual commissions paid during the period ended December 31, 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 consolidated statements of financial condition and will be 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 $87,942 as of December 31, 2019, an increase of $7,216 compared to December 31, 2018 of $80,726. Amortization on these contract acquisition costs was $11,759 during the year ended December 31, 2019, as compared to $9,671 during the year ended December 31, 2018. 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.

5. 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 December 31, 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.

	December 31, 2019			
Assets	**Carrying Value**	**Level 1**	**Level 2**	**Total Estimated Fair Value**
Cash and cash equivalents	$ 248,772	$ 248,772	$ —	$ 248,772
Receivables from clearing brokers	23,086	—	23,086	23,086
Receivables from other broker-dealers	4,051	—	4,051	4,051
Notes receivables from financial advisors, net (1)	8,781	—	8,781	8,781
Other receivables, net	71,810	—	71,810	71,810
Insurance trailing commissions receivable	73,782	—	73,782	73,782
	$ 430,282	**$ 248,772**	**$ 181,510**	**$ 430,282**
Liabilities				
Accrued compensation	$ 40,350	$ —	$ 40,350	$ 40,350
Commissions and fees payable	109,719	—	109,719	109,719
Accounts payable and accrued liabilities (2)	48,708	—	48,708	48,708
Accrued interest	—	—	—	—
Notes payable, net (3)	315,443	—	332,490	332,490
	$ 514,220	**$ —**	**$ 531,267**	**$ 531,267**

(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 $1,330.

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

	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 December 31, 2019 and December 31, 2018:

	December 31, 2019				
Assets	**Carrying Value**	**Level 1**	**Level 2**	**Level 3**	**Total Estimated Fair Value**
Certificates of deposit	$ 36	$ 36	$ —	$ —	$ 36
Debt securities	2,205	—	2,205	—	2,205
U.S. Treasury notes	710	—	710	—	710
Common stock and warrants	1,498	633	865	—	1,498
Total	**$ 4,449**	**$ 669**	**$ 3,780**	**$ —**	**$ 4,449**
Liabilities					
Contingent consideration payable	$ 1,330	$ —	$ —	$ 1,330	$ 1,330
Debt securities	420	—	420	—	420
U.S. Treasury notes	—	—	—	—	—
Common stock and warrants	—	—	—	—	—
Total	**$ 1,750**	**$ —**	**$ 420**	**$ 1,330**	**$ 1,750**

	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
U.S. Treasury notes	—	—	—	—	—
Common stock	2,379	2,379	—	—	2,379
Total	**$ 4,805**	**$ 2,379**	**$ 196**	**$ 2,230**	**$ 4,805**

As of December 31, 2019 and December 31, 2018, approximately$3,636 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, at fair value 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 December 31, 2019 and December 31, 2018, the fair values of the warrants were $778 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, 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:

Fair value of contingent consideration as of December 31, 2016	$	7,144
Payments		(5,021)
Change in fair value of contingent consideration		(19)
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
Payments		(1,564)
Change in fair value of contingent consideration		664
Fair value of contingent consideration as of December 31, 2019	$	1,330

6. 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. The Company has lease agreements with lease and non-lease components. The Company has 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, the Company estimates 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; the Company recognizes 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 year ended December 31, 2019 were as follows:

	Year Ended December 31, 2019
Operating lease cost	$ 9,540
Short-term lease cost	142
Variable lease cost	896
Amortization of finance lease assets	129
Interest on finance lease liabilities	9
Sublease income	(95)
Total lease cost	$ 10,621

Lease commitments. The table below summarizes the Company's scheduled future minimum lease payments under operating and finance leases, recorded on the Consolidated Statements of Financial Condition as of December 31, 2019:

	Operating Leases
2020	$ 8,340
2021	6,037
2022	5,372
2023	3,955
2024	3,574
Thereafter	12,175
Total lease payments	39,453
Less imputed interest	(6,367)
Present value of lease payments	$ 33,086

	Financing Leases
2020	$ 209
2021	162
2022	44
2023	9
2024	—
Thereafter	—
Total lease payments	424
Less imputed interest	—
Present value of lease payments	$ 424

In connection with an office lease entered into in March 2016, Securities America has exercised an option to lease additional office space for 12 years and would require the payment of an annual rent of $1,707 plus operating expenses of $537, subject to certain adjustments. The annual rent plus operating expenses for the first year of the initial term of the lease is $2,244, payable in monthly installments of $187. 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 December 31, 2019:

Weighted Average Remaining Lease Term:	
Operating leases	6.89 years
Weighted Average Discount Rate:	
Operating leases	4.39 %

Supplemental cash flow information. The table below presents supplemental cash flow information related to leases during the year ended December 31, 2019:

	Year ended December 31, 2019
Cash paid for amounts included in measurement of lease liabilities:	
Operating cash flows from operating and finance leases	$ 11,143

Non-cash investing and financing activities. The Right-of-use assets obtained in exchange for lease obligations during the year ended December 31, 2019 was:

	Year ended December 31, 2019
Operating and finance leases	$ 1,784

Subleases and lessor activity. The Company had rental income from subleasing activity during the year ended December 31, 2019 which was immaterial to the Company's consolidated financial statements.

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 December 31, 2019, each had a $250 minimum net capital requirement. At December 31, 2019, Securities America had regulatory net capital of $12,467, Triad had regulatory net capital of $9,916, Investacorp had regulatory net capital of $10,079, KMS had regulatory net capital of $7,240, SSN had regulatory net capital of $8,149 and Ladenburg had regulatory net capital of $24,883.

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 December 31, 2019, Premier Trust had stockholders' equity of $4,072, including at least $250 in cash.

8. Fixed Assets

Components of fixed assets, net included in the consolidated statements of financial condition were as follows:

	December 31,	
	2019	2018
Cost:		
Leasehold improvements	$ 5,873	$ 4,727
Computer equipment	24,338	22,850
Furniture and fixtures	5,726	4,618
Software	40,632	33,207
Other	6,280	5,836
	82,849	71,238
Less: accumulated depreciation and amortization	(49,099)	(41,244)
Total	$ 33,750	$ 29,994

9. Intangible Assets

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

	Weighted-Average	December 31, 2019		December 31, 2018	
	Estimated Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology	7.9	$ 25,563	$ 23,846	$ 25,563	$ 22,187
Relationships with financial advisors	14.3	126,122	70,045	126,122	59,584
Vendor relationships	7	3,613	3,613	3,613	3,613
Covenants not-to-compete	3.8	6,964	6,692	6,964	6,258
Customer accounts	8.3	2,029	2,029	2,029	2,029
Trade names	7.7	16,921	14,989	16,916	14,472
Relationships with investment banking clients	4	2,586	2,586	2,586	2,586
Leases	6	861	861	861	861
Referral agreement	6.6	124	124	124	124
Other	6	67	67	67	67
Total		$ 184,850	$ 124,852	$ 184,845	$ 111,781

Aggregate amortization expense amounted to $13,071, $15,578 and $21,327 for the years ended December 31, 2019, 2018 and 2017, respectively. The weighted-average amortization period for total amortizable intangibles at December 31, 2019 is 9.77 years. Estimated amortization expense for each of the five succeeding years and thereafter is as follows:

2020	$ 11,466
2021	6,628
2022	6,555
2023	6,217
2024	5,380
Thereafter	23,752
	$ 59,998

10. Goodwill

Changes to the carrying amount of goodwill during the years ended December 31, 2019 and 2018 are as follows:

	Ladenburg	Independent Advisory and Brokerage Services	Insurance Brokerage	Total
Balance as of December 31, 2017	$ 301	$ 111,210	$ 12,699	$ 124,210
Benefit applied to reduce goodwill	—	(541)	—	(541)
Business acquisitions	—	246	2,164	2,410
Balance as of December 31, 2018	$ 301	$ 110,915	$ 14,863	$ 126,079
Balance as of December 31, 2019	$ 301	$ 110,915	$ 14,863	$ 126,079

The annual impairment tests performed at December 31, 2019 and 2018, based on quantitative assessments, did not indicate that the carrying value of goodwill had been impaired. However, changes in circumstances or business conditions could result in an impairment of goodwill. For 2018, the carrying amount of goodwill was reduced by $541 representing federal tax benefit realized for the excess of tax deductible goodwill over goodwill recognized for reporting purposes with respect to the Company's subsidiaries.

11. 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 2029.

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 December 31, 2019 and 2018, the allowance amounted to $1,769 and $1,528, respectively.

12. Deferred Compensation Plan

Securities America has a deferred compensation plan which allowed certain members of management and qualified financial advisors to defer a portion of their compensation and commissions. Participants were able to elect various distribution options, but must be a plan participant for five years before any distributions can be made.

Securities America has purchased variable life insurance contracts with cash surrender values that are designed to replicate the gains and losses of the deferred compensation liability and are held in a consolidated Rabbi Trust. The cash surrender values of the life insurance contracts held in the Rabbi Trust are intended to informally fund a portion of the deferred compensation liability. Securities America is the owner and beneficiary of these policies, for which the aggregated cash surrender value totaled $15,230 and $11,406 as of December 31, 2019 and 2018, respectively.

The deferred compensation liability of$26,722 and $20,622 as of December 31, 2019 and 2018, respectively, reflects the current value of the deferred compensation benefits, which is subject to change with market value fluctuations. The deferred compensation liability is equal to the theorized value of the underlying employee investment fund elections in the plan. Changes in the value of the assets or liabilities are recognized in the consolidated statements of operations.

13. Income Taxes

The provision for income taxes for 2019, 2018 and 2017 consisted of the following:

	Federal	State and Local	Total
2019:			
Current	$ 7,126	$ 1,956	$ 9,082
Deferred	(1,788)	(12)	(1,800)
	$ 5,338	$ 1,944	$ 7,282
2018:			
Current	$ 2,933	$ 1,776	$ 4,709
Deferred	8,329	341	8,670
	$ 11,262	$ 2,117	$ 13,379
2017:			
Current	$ 364	$ 807	$ 1,171
Deferred	(7,695)	22	(7,673)
	$ (7,331)	$ 829	$ (6,502)

The difference between the income taxes expected at the U.S. federal statutory income tax rate of 21% for 2019 and 2018 and 35% 2017 and the reported income tax expense (benefit) is summarized as follows:

	2019	2018	2017
Income (loss) before income taxes	$ 30,007	$ 47,165	$ 1,180
Expense (benefit) under statutory U.S. tax rates	6,301	9,905	413
Increase (decrease) in taxes resulting from:			
Increase (decrease) in valuation allowance	998	(66)	(11,261)
Nondeductible items	(281)	1,867	4,475
State taxes, net of federal benefit	398	1,625	431
Impact of tax reform	—	—	(660)
Other, net	(134)	48	100
Income tax expense (benefit)	$ 7,282	$ 13,379	$ (6,502)

On December 22, 2017, the U.S. government enacted comprehensive tax reform commonly referred to as the Tax Cuts and Jobs Act ("TCJA"). Under GAAP, the effects of changes in tax rates and laws are recognized in the period which the new legislation is enacted. The TCJA made broad and complex changes to the U.S. tax code, including, but not limited to: (1) a reduction the U.S. federal corporate tax rate from 35% to 21%; (2) changes to the rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017; (3) bonus depreciation will allow for full expensing of qualified property; (4) created a new limitation on deductible interest expense; (5) eliminated the corporate alternative minimum tax; (6) allows for unused alternative minimum tax credit carryovers to be refunded over a period of time or available to offset any future federal tax liabilities; (7) further limits deductibility of executive compensation under IRC §162(m); and (8) created new tax rules related to taxation of foreign operations.

In response to the TCJA, the SEC staff issued SAB 118, which provided guidance on accounting for the tax effects of TCJA. The purpose of SAB 118 was to address any uncertainty or diversity of view in applying ASC 740 in the reporting period in which the TCJA was enacted. Also, SAB 118 provides a measurement period that should not extend beyond one year from the TCJA enactment date for companies to complete the accounting under ASC 740. For the year ended December 31, 2017, the Company recorded a provisional decrease in our deferred tax assets and liabilities of $3.4 million as part of 2017 income tax provision in accordance with SAB 118. 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.

The Company accounts for income taxes under the asset and liability method, which requires the recognition of tax benefits or expense on the temporary differences between the tax basis and financial statement basis of its assets and liabilities as well as tax loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those differences are expected to be recovered or settled.

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2019 and December 31, 2018 are as follows:

	2019	2018
Deferred tax assets (liabilities):		
Net operating loss carryforwards	$ 3,540	$ 2,938
Lease liabilities	8,518	—
Accrued expenses	5,500	4,731
Compensation and benefits	7,915	9,370
Deferred compensation liability	6,733	5,164
Securities owned	579	780
Total deferred tax assets	32,785	22,983
Valuation allowance	(2,861)	(1,863)
Net deferred tax assets	29,924	21,120
Fixed assets	(6,035)	(6,081)
Right-of-use assets	(7,771)	—
Intangibles	(2,456)	(4,160)
Contract acquisition costs	(5,806)	(7,108)
Deferred revenues	(10,057)	(8,576)
Goodwill	(10,068)	(9,263)
Total deferred liabilities	(42,193)	(35,188)
Net deferred tax liability	$ (12,269)	$ (14,068)

At December 31, 2019, the Company had an Alabama state net operating loss carryforward of approximately $29,265 expiring between 2023 and 2034; a New York state net operating loss carryforward of approximately $4,700 expiring in 2036; and a New York City net operating loss carryforward of approximately $5,231 expiring in 2036.

Goodwill for tax purposes recognized in connection with the acquisition of Triad by the Company, all of which is tax deductible, exceeded the amount of goodwill recognized in the financial statements. Authoritative accounting guidance in effect when the acquisition was consummated requires the tax benefit for the excess goodwill to be recognized when realized and applied first to reduce goodwill and thereafter reduce non-current intangible assets with the remaining benefit recognized as a reduction of income tax expense. As of December 31, 2018, goodwill was reduced by $541 as the excess benefit was fully realized.

In assessing the Company's ability to recover its deferred tax assets, the Company evaluated whether it is more likely than not that some portion or the entire deferred tax asset 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. The Company considered 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, historical earnings, scheduled reversal of taxable temporary differences, tax planning strategies and projected future taxable income. Based on objective evidence including reversal pattern of existing taxable temporary difference coupled with cumulative earnings in recent years, the Company concluded that its deferred tax assets are realizable on a more-likely-than-not basis with the exception of certain separate state net operating loss carryforwards.

During 2019, the Company’s valuation allowance increased by approximately$1.0 million.

The Company applied the "more-likely-than-not" recognition threshold to all tax positions taken or expected to be taken in a tax return, which resulted in unrecognized state tax benefits as of December 31, 2019 and December 31, 2018. The Company has elected to classify interest and penalties that would accrue with respect to income taxes as interest and other expense, respectively.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2019	2018
Balance at January 1,	$ 623	$ 526
Increases in tax positions for prior years	—	—
Increases in tax positions for current years	120	97
Balance at December 31,	$ 743	$ 623

Of the amounts reflected in the above table at December 31, 2019, the entire amount would reduce the Company’s annual effective tax rate if recognized. As of December 31, 2019, 2018 and 2017 the Company accrued interest and penalties of approximately $284, $227 and $181, respectively. As of December 31, 2019 the Company does not anticipate a significant change in unrecognized tax benefits within 12 months of the reporting date.

The Company files income tax returns in the United States and various state jurisdictions. The Company's tax years 2013 through 2019 remain open to examination by most taxing authorities.

Prior to being acquired by the Company in November 2011, Securities America was included in consolidated federal and state income tax returns filed by its parent Ameriprise Financial, Inc. ("Ameriprise"). Accordingly, Securities America is jointly, with other members of the consolidated group, and severally liable for any additional taxes that may be assessed against the group. In connection with the acquisition, Ameriprise has agreed to indemnify the Company for any such assessments imposed on any members of the group other than Securities America. Ameriprise has disclosed that in 2018 Ameriprise received cash settlements for final resolution of the 2008 through 2010 IRS audits. In the third quarter of 2018, Ameriprise reached an agreement with IRS appeals to resolve the 2012 and 2013 audits. Accordingly, Ameriprise‘s IRS audits are effectively settled through 2013. Ameriprise has also disclosed that its state income tax returns are currently under examination by various jurisdictions for years ranging from 2009 through 2017.

14. Notes Payable

Notes payable consisted of the following:

	December 31,	
	2019	2018
Notes payable under subsidiary's term loan with bank	$ 5,171	$ —
Note payable under subsidiary's revolver with bank	—	89
Notes payable to Kestler Financial Group's former shareholders	5,189	5,399
Notes payable to Four Seasons Financial Group's former shareholders	265	364
6.5% Senior Notes, net of $59 and $67 of unamortized discount in 2019 and 2018, respectively	82,749	82,742
7% Senior Notes, net of $40 and $44 of unamortized discount in 2019 and 2018, respectively	42,480	42,475
7.25% Senior Notes	60,000	60,000
7.75% Senior Notes	57,500	—
7.25% December Notes, net of $5,619 and $6,261 of unamortized discount in 2019 and 2018, respectively	70,731	70,089
Less: Unamortized debt issuance costs	(8,642)	(7,086)
Total	$ 315,443	$ 254,072

Bank Loans - 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 of5.52%. 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 was repaid in full on February 14, 2020. The term loan maturity date was February 6, 2022. The loan was collateralized by Securities America's assets. The loan agreement contained 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 $287 for the period ended December 31, 2019. At December 31, 2019, $5,171 was outstanding under the loan.

Senior Notes

On November 21, 2017, the Company sold $72,500 principal amount of its 6.5% unsecured senior notes due November 2027 ("6.5% Senior Notes") in an underwriting offering. Interest on the 6.5% Senior Notes 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 could 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. 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 2019 and the note distribution agreement was terminated in February 2020.

On May 22, 2018, the Company sold $40,000 principal amount of its 7% unsecured senior notes due May 2028 (the "7% Senior Notes") in an underwritten offering. Interest on the 7% Senior Notes 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 could sell up to $25,000 principal amount of additional 7% Senior Notes from time to time in an "at the market" offering. 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 2019 and the note distribution agreement was terminated in February 2020. At December 31, 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% unsecured senior notes due September 2028 ("7.25% Senior Notes") in an underwritten offering. Interest on the 7.25% Senior Notes 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% unsecured senior notes due June 2029 ("7.75% Senior Notes") in an underwritten offering. Interest on the 7.75% Senior Notes 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 $2,068.

Promissory Note - KFG

On August 31, 2018, as part of the consideration paid for the acquisition of KFG, the Company issued an unsecured 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 FSFG, Highland issued two unsecured 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 were prepaid in full without penalty on February 14, 2020.

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”), under which the Company repurchased 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. In February 2020, the December 2018 Notes were purchased by Advisor Group, our affiliate, and became an intercompany balance.

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 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 mature on September 30, 2028. In February 2020, the December 2018 Notes were purchased by Advisor Group, our affiliate, and became an intercompany balance.

15. Commitments and Contingencies

Operating Leases

The Company and certain of its subsidiaries are obligated under several non-cancelable lease agreements for office space, expiring in various years through January 2030. Certain leases have provisions for escalation based on specified increases in costs incurred by the landlord. The Company is a sublessor to third parties for a portion of its office space as described below. The subleases expire at various dates through August 2020. As of December 31, 2019, minimum lease payments (net of lease abatement and exclusive of escalation charges) and sublease rentals are as follows:

Year Ending December 31,	Lease Commitments	Sublease Rentals	Net
2020	$ 8,341	$ 28	$ 8,313
2021	6,036	—	6,036
2022	5,372	—	5,372
2023	3,954	—	3,954
2024	3,574	—	3,574
Thereafter	12,176	—	12,176
Total	$ 39,453	$ 28	$ 39,425

In connection with an office lease entered into in March 2016, Securities America has exercised an option to lease additional office space, for 12 years and would require the payment of annual rent of $1,707 plus operating expenses of $537, subject to certain adjustments. The annual rent plus operating expenses for the first year of the initial term of the lease is $2,244, payable in monthly installments of $187. 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.

Litigation and Regulatory Matters

In January 2020, a purported class action shareholder complaint was filed against the Company, its former directors, Advisor Group Holdings, Inc. ("Advisor Group"), Harvest Merger Sub, Inc. ("Merger Sub") and AG Artemis Holdings, LP ("Artemis") in Miami-Dade County, Florida Circuit Court. The complaint alleges that the director defendants received benefits from the Company's merger with Merger Sub not shared by the plaintiff and class members, agreed to an unfair merger price and solicited shareholder approval through allegedly materially misleading proxy materials and that the director defendants therefore breached their fiduciary duties. The complaint also alleges Advisor Group, Merger Sub and Artemis aided and abetted the fiduciary breaches alleged in the complaint. The complaint seeks an unspecified amount of compensatory damages and the disgorgement by the defendants of all unique consideration received in the merger. The Company intends to vigorously defend against these claims.

In December 2019, five purported class action shareholder actions were filed against the Company and its former directors: three in the United States District Court for the Southern District of New York, one in the United States District Court for the Eastern District of New York, and one in the United States District Court for the District of Delaware. The complaints allege, among other former things, that the defendants violated federal securities laws by disseminating a preliminary proxy statement that omitted or misrepresented material information concerning: management projections, valuation analyses, the sales process, and the potential conflicts of interest faced by the members of the Board and the executive officers of the Company. Each complaint seeks, among other things, an order preliminarily and permanently enjoining the merge until the allegedly omitted information is disclosed, rescission of the merger or an award of damages. The Company intends to vigorously defend against these claims.

In December 2014 and January 2015, two purported class action suits were filed in the United States 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.

A consolidated complaint was filed in September 2016. 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 alleged, 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 sought 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. In September 2019, the parties entered into a stipulation of settlement of all claims, which provides for no contribution from the underwriters, including Ladenburg. In January 2020, the court issued an order approving the parties' settlement.

In November 2015, two purported class action complaints were filed in the Circuit Court for Morgan County, Tennessee (Ninth Judicial District) 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. Also, a purported class action was filed in the United States District Court for the Eastern District of Tennessee in May 2016 alleging similar claims. The plaintiffs seek an unspecified amount of compensatory damages, as well as other relief. In December 2015 the defendants removed the complaints to the federal court in 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. In December 2019, the court issued an order remanding to state court the two suits that were initially filed in state court. Ladenburg intends to vigorously defend against these claims.

In January 2016, an amended complaint was filed in the United States 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 was one of the underwriters of the October 2013 initial public offering. The complaint alleged, 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 209 the U.S. Court of Appeals for the Fifth Circuit affirmed the dismissal of the second amended complaint.

In August and September 2019, five purported class action suits were filed, three in the Palm Beach County. Florida Circuit Court and two in the United States District Court for the Southern District of Florida against Greenlane Holdings, Inc. ("Greenlane"), as well as its officers, directors, and five firms that underwrote Greenlane's initial public offering in April 2019, which raised approximately $110,000. Ladenburg was one of the underwriters. The complaints allege, among other things, that the offering materials were misleading based on the failures to disclose risks that Greenlane, a large distributor of JUUL electronic cigarette products, faces from initiatives in several large cities to limit or ban the manufacture and/or sale of electronic cigarette products, 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. The three state court suits have been consolidated. Motions to dismiss these state court suits were filed in February 2020. The two federal court suits were also consolidated, and an amended federal complaint was filed in March 2020 that excludes the underwriter defendants. Ladenburg intends to vigorously defend against these claims.

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 has previously been reserved. In October 2018, Securities America Advisors received approval of its plan for distribution of the funds. Securities America Advisors has completed its distribution of 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 has 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 paying out the funds pursuant to the terms of the orders.

A complaint was filed in the United States District Court for the Southern District of New York in February 2019, by 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 and other duties. Securities America successfully moved to compel arbitration of the complaint, which asserts a total of $18,000 in compensatory damages. Securities America intends to vigorously defend against the claim.

From July 2019 to March 2020, thirteen customers filed arbitration claims against Triad, asserting, among other things, that Triad was negligent in permitting its registered representatives to solicit investments in private placements offered by GPB Capital Holdings, because of purported excessive risk and unsuitability. The customers assert, among other claims, claims for negligence, breach of contract, failure to supervise, and breach of fiduciary duty. Total compensatory damages sought for investments in GPB Capital Holdings that occurred at Triad are approximately $2,475. Also, a purported class action lawsuit was filed in federal court in Texas in October 2019 against GPB Capital Holdings, and a number of other defendants including its founder, distributing broker-dealer, auditor, fund administrator and 76 broker-dealers that offered its funds, including Triad. The lawsuit alleges, among other things, fraud, breach of fiduciary duty, negligence, and violations of the Texas Securities Act in connection with sales of private placements offered by GPB Capital Holdings. Damages are unspecified. Motions to dismiss the lawsuit are currently pending. Triad intends to vigorously defend against these matters.

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 $7,817 at December 31, 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 or proceedings, as well as assessment of matters, including settlements, involving other defendants in similar or related cases or proceedings. 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.

16. 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 December 31, 2019 and December 31, 2018, amounts due from these clearing brokers were $23,086 and $24,068, respectively, 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 December 31, 2019 and December 31, 2018, 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.

17. Shareholders' Equity

Repurchase Program

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 December 31, 2019,27,226,063 shares of common stock have been repurchased for$73,194 under the program, including 2,041,958 shares repurchased for $7,078 in 2019 and 5,833,890 shares repurchased for $16,705 in 2018. As of December 31, 2019,10,273,937 shares remained available for purchase under the program. The board authorized stock repurchase program expired at the effective time of the Merger as there is no established trading market for shares of the Company's common stock as of the closing date of the Merger.

Capital Stock

On May 21, 2013, the Company filed Articles of Amendment with the Department of State of the State of Florida to designate5,290,000 shares of the Company's authorized preferred stock, par value $0.0001 per share, as shares of Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock") with the powers, designations, preferences and other rights as set forth therein (the "Articles of Amendment"). In addition, on June 24, 2013, the Company filed a further amendment to designate an additional 3,000,000 preferred shares as Series A Preferred Stock. In 2014, the Company filed articles of amendment to the Company's Articles of Incorporation to designate an additional 6,000,000 shares as Series A Preferred Stock and to increase the authorized number of shares of common stock from600,000,000 to 800,000,000. In May 2015, the Company filed an amendment to the Company's Articles of Incorporation to designate an additional3,000,000 shares as Series A cumulative redeemable preferred stock ("Series A Preferred Stock"). On May 18, 2016, the Company's shareholders approved an amendment to the Company's Articles of Incorporation to increase the number of shares of preferred stock authorized from 25,000,000 to 50,000,000 and to increase the number of shares of common stock authorized from 800,000,000 to 1,000,000,000.

The Articles of Amendment provide that the Company will pay monthly cumulative dividends on the Series A Preferred Stock, in arrears, on the 28th day of each month (provided that if any dividend payment date is not a business day, then the dividend which would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day without adjustment in the amount of the dividend) from, and including, the date of original issuance of the Series A Preferred Stock at 8.00% of the $25.00 per share liquidation preference per annum (equivalent to$2.00 per annum per share). The Articles of Amendment further provide that dividends will be payable to holders of record as they appear in the stock records of the Company for the Series A Preferred Stock at the close of business on the applicable record date, which shall be the 15th day of each month, whether or not a business day, in which the applicable dividend payment date falls.

On or after May 24, 2018, the Company may, at its option, redeem any or all of the shares of the Series A Preferred Stock at$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date. Also, upon the occurrence of a Change of Control, the Company may, at its option, redeem any or all of the shares of Series A Preferred Stock within 120 days after the first date on which such Change of Control occurred at$25.00 per share plus any accumulated and unpaid dividends to, but not including, the redemption date.

The Series A Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by the Company or converted into the Company's common stock in connection with a Change of Control by the holders of Series A Preferred Stock.

Upon the occurrence of a Change of Control, each holder of Series A Preferred Stock has the right (subject to the Company's election to redeem the Series A Preferred Stock in whole or in part, as described above, prior to the Change of Control Conversion Date (as defined in the Articles of Amendment)) to convert some or all of the Series A Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of the Company's common stock per share of Series A Preferred Stock determined by formula, in each case, on the terms and subject to the conditions described in the Articles of Amendment, including provisions for the receipt, under specified circumstances, of alternative consideration as described in the Articles of Amendment.

Except under limited circumstances, holders of the Series A Preferred Stock generally do not have any voting rights.

On June 24, 2013, June 13, 2014, November 21, 2014, May 22, 2015 and May 22, 2017, the Company entered into Equity Distribution Agreements under which it could sell up to an aggregate of 15,000,000 shares of its Series A Preferred Stock from time to time in “at the market” offerings under Rule 415 under the Securities Act of 1933, as amended (the “Securities Act”). During the years ended December 31, 2019 and December 31, 2017, the Company sold 389,207 and 1,167,159 shares of Series A Preferred Stock, respectively, pursuant to the “at the market” offerings, which provided total gross proceeds to the Company of $9,430 and $29,052, respectively, before deducting commissions paid to unaffiliated sales agents and offering expenses aggregating $4 and $958, respectively. The Equity Distribution Agreement was terminated in February 2020.

For the years ended December 31, 2019, 2018 and 2017, the Company paid dividends of$34,689, $34,031 and $32,482, respectively, on its outstanding Series A Preferred Stock based on a monthly dividend of approximately $0.1667 per share.

In September 2017, the Company began a quarterly cash dividend on its common stock of$0.01. Starting September 2018, the Company paid a quarterly dividend of $0.0125 per share on its outstanding common stock. For the years ended December 31, 2019, 2018 and 2017, the Company paid aggregate dividends of$7,179, $8,794 and $3,880.

18. Per Share Data

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to the Company, decreased with respect to net income or increased with respect to net loss by dividends declared on preferred stock by using the weighted-average number of common shares outstanding. The dilutive effect of incremental common shares potentially issuable under outstanding options, warrants and unvested restricted stock is included in diluted earnings per share utilizing the treasury stock method. There was no difference between the basic and diluted common shares as the net loss attributable to the shareholders of the Company made the effect of any potential dilutive shares anti-dilutive.

During 2019, 2018 and 2017, options, warrants and unvested restricted stock to purchase22,105,065, 25,107,164 and 32,501,007 common shares, respectively, were not included in the computation of diluted income (loss) per share as the effect would be anti-dilutive.

All outstanding restricted stock awards of the Company (a “Company Restricted Share”) were accelerated with each holder receiving cash equal to the product of (i) the number of common shares underlying such Company Restricted Share award and (ii) $3.50 cash per common share.

19. Stock Compensation Plans

Employee Stock Purchase Plan

Under the Company's amended and restated Qualified Employee Stock Purchase Plan, a total of 10,000,000 shares of common stock were available for issuance. As administered by the Company's compensation committee, all full-time employees could use a portion of their salary to acquire shares of LTS common stock under this purchase plan at a 5% discount from the market price of LTS' common stock at the end of each option period. Option periods were set at three month periods and commence on January 1, April 1, July 1 and October 1 of each year and end on March 31, June 30, September 30 and December 31 of each year. The plan was intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. During 2019, 159,212 shares of LTS common stock were issued to employees under this plan, at prices ranging from $2.25 to $3.31; during 2018, 161,968 shares of LTS common stock were issued to employees under this plan, at prices ranging from $2.21 to $3.23 and during 2017, 167,016 shares of LTS common stock were issued to employees under this plan, at prices ranging from $2.32 to $3.00. These share issuances resulted in a capital contribution of $447, $453 and $420 for 2019, 2018 and 2017, respectively. The Qualified Employee Stock Purchase Plan was terminated on December 31, 2019, effective as of the closing date of the Merger.

Amended and Restated 1999 Performance Equity Plan and 2009 Incentive Compensation Plan

In 1999, the Company adopted the 1999 Performance Equity Plan (as amended and restated, the "1999 Plan") and in 2009 the Company adopted the 2009 Incentive Compensation Plan (the "2009 Plan"), which provided for the grant of stock options and other awards to designated employees, officers and directors and certain other persons performing services for the Company and its subsidiaries, as designated by the board of directors. The 1999 Plan provided for the granting of up to 25,000,000 awards with an annual limit on grants to any individual of 1,500,000. In 2014, the 2009 Plan was amended to provide for the granting of up to 45,000,000 awards with an annual limit on grants to any individual of 1,500,000. Awards under the plans include stock options, stock appreciation rights, restricted stock, deferred stock, stock reload options and/or other stock-based awards. The compensation committee of the Company's board of directors administers the plans. Stock options granted under the 2009 Plan may be incentive stock options and non-qualified stock options. An incentive stock option may be granted only through August 27, 2019 under the 2009 Plan and may only be exercised within ten years of the date of grant (or five years in the case of an incentive stock option granted to an optionee who at the time of the grant possesses more than 10% of the total combined voting power of all classes of stock of LTS ("10% Shareholder")). Incentive stock options may no longer be granted under the 1999 Plan. The exercise price of both incentive and non-qualified options may not be less than 100% of the fair market value of LTS' common stock at the date of grant, provided that the exercise price of an incentive stock option granted to a 10% Shareholder shall not be less than 110% of the fair market value of LTS' common stock at the date of grant. As of December 31, 2019, 14,625,416 and 8,728,282 shares of common stock were available for issuance under the 2009 Plan and the 1999 Plan, respectively. The 1999 Plan and the 2009 Plan were terminated on February 14, 2020 in connection with the Merger.

A summary of the status of the 1999 Plan at December 31, 2019 and changes during the year ended December 31, 2019 are presented below:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2018	3,855,000	$ 1.20		
Exercised	(2,280,000)	0.89		
Forfeited	—	—		
Expired	—	—		
Options outstanding, December 31, 2019	1,575,000	$ 1.67	1.29	$ 2,857
Options exercisable, December 31, 2019	1,575,000	$ 1.67	1.29	$ 2,857

A summary of the status of the 2009 Plan at December 31, 2019 and changes during the year ended December 31, 2019 are presented below:

	Shares	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Options outstanding, December 31, 2018	16,992,040	$ 2.26		
Granted	—	—		
Exercised	(1,484,244)	1.68		
Forfeited	(153,731)	1.54		
Expired	(100,000)	$ 3.20		
Options outstanding, December 31, 2019	15,254,065	$ 2.32	3.02	$ 18,578
Options exercisable, December 31, 2019	15,071,565	$ 2.32	2.98	$ 18,426

Restricted Stock Awards

A summary of the restricted stock awards at December 31, 2019 and changes during the year ended December 31, 2019 is presented below:

	Restricted Stock	Weighted-Average Grant Date Fair Value Per Share
Nonvested at December 31, 2018	4,260,125	$ 2.87
Issued during 2019	2,785,000	3.30
Vested during 2019	(1,686,625)	2.92
Forfeited during 2019	(82,500)	3.03
Nonvested at December 31, 2019	5,276,000	$ 3.08

Restricted stock awards granted in 2019 vest in four equal annual installments.

All outstanding restricted stock awards of the Company (a "Company Restricted Share") were accelerated with each holder receiving cash equal to the product of (i) the number of common shares underlying such Company Restricted Share award and (ii) $3.50 cash per common share.

As of December 31, 2019, there was $10,793 of total unrecognized compensation cost related to non-vested share-based compensation arrangements. This cost is expected to be recognized over the vesting periods of the options and restricted stock, which on a weighted-average basis is approximately 2.50 years.

The total intrinsic value of options exercised during the years ended December 31, 2019, 2018 and 2017 amounted to $7,871, $6,171 and $3,992, respectively. The fair value of restricted stock vesting in 2019, 2018 and 2017 was $4,928, $3,256 and $1,944, respectively.

Non-cash compensation expense relating to stock options was calculated using the Black-Scholes option pricing model, amortizing the value calculated over the vesting period. The Company has elected to recognize compensation cost for option awards that have graded vesting schedules on a straight line basis over the requisite service period for the entire award.

For the years ended December 31, 2019, 2018 and 2017, non-cash compensation expense relating to share-based awards granted to employees, consultants and advisors amounted to $6,106, $5,882 and $5,539, respectively.

20. Noncontrolling Interest

During the quarter ended March 31, 2013, Arbor Point Advisors, LLC ("APA"), a newly-formed registered investment advisor, began operations. Investment advisory services of APA are provided through licensed and qualified individuals who are investment advisor representatives of APA. Securities America holds an 80% interest in APA and an unaffiliated entity owns a 20% interest. As Securities America is the controlling managing member of APA, the financial statements 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.

21. 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 cost 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 years ended December 31, 2019, 2018 and 2017 is as follows:

	Independent Advisory and Brokerage Services	Ladenburg	Insurance Brokerage	Corporate	Total
2019					
Revenues	$ 1,204,326	$ 75,523	$ 186,211	$ 3,242	$ 1,469,302
Income (loss) before income taxes	65,517	10,501	4,745	(50,756) (1)	30,007
EBITDA, as adjusted (2)	99,408	11,498	7,645	(17,320)	101,231
Identifiable assets	542,138	55,006	113,031	119,761	829,936
Depreciation and amortization	19,901	485	1,886	22	22,294
Interest	478	13	235	22,393	23,119
Capital expenditures	12,836	249	37	(78)	13,044
Non-cash compensation	1,016	715	—	4,375	6,106
2018					
Revenues	$ 1,161,043	$ 78,094	$ 147,127	$ 4,872	$ 1,391,136
Income (loss) before income taxes	62,748	11,464	1,983	(29,030) (1)	47,165
EBITDA, as adjusted (2)	98,411	12,966	4,166	(15,095)	100,448
Identifiable assets	515,720	59,798	97,708	67,678	740,904
Depreciation and amortization	22,403	471	1,146	19	24,039
Interest	905	62	472	9,357	10,796
Capital expenditures	13,787	351	244	120	14,502
Non-cash compensation	1,220	705	113	3,844	5,882
2017					
Revenues	$ 1,140,380	$ 66,680	$ 57,132	$ 3,960	$ 1,268,152
Income (loss) before income taxes	19,858	6,346	(5,338)	(19,686) (1)	1,180
EBITDA, as adjusted (2)	59,756	8,115	2,698	(14,568)	56,001
Identifiable assets	443,670	43,148	47,166	98,041	632,025
Depreciation and amortization	21,455	505	6,841	34	28,835
Interest	1,157	—	683	870	2,710
Capital expenditures	8,923	753	216	4	9,896
Non-cash compensation	1,035	629	183	3,692	5,539

(1) Includes interest on revolving credit and forgivable loan notes, compensation, professional fees and other general and administrative expenses related to the Corporate segment.

(2) The following table reconciles income (loss) before income taxes to EBITDA, as adjusted, for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31,		
	2019	2018	2017
Income before income taxes	$ 30,007	$ 47,165	$ 1,180
Adjustments:			
Interest income	(2,906)	(2,504)	(506)
Change in fair value of contingent consideration	664	238	(19)
Interest expense	23,119	10,796	2,710
Depreciation and amortization	22,294	24,039	28,835
Non-cash compensation expense	6,106	5,882	5,539
Amortization of retention and forgivable loans	549	417	7,396
Amortization of contract acquisition costs (6)	11,759	9,671	—
Financial advisor recruiting expense	55	370	5,721
Acquisition-related expense	5,887	1,010	3,469
Income (loss) attributable to noncontrolling interest	42	(28)	15
Other	3,655 (3)	3,392 (4)	1,661 (5)
EBITDA, as adjusted	$ 101,231	$ 100,448	$ 56,001
EBITDA, as adjusted			
Independent Advisory and Brokerage Services	$ 99,408	$ 98,411	$ 59,756
Ladenburg	11,498	12,966	8,115
Insurance Brokerage	7,645	4,166	2,698
Corporate	(17,320)	(15,095)	(14,568)
Total segments	$ 101,231	$ 100,448	$ 56,001

(3) Includes loss on severance costs of $1,697, excise and franchise tax expense of $548, compensation expense that may be paid in stock of $1,470, other legal matters of $215 and reversal of a write-off for a sublease commitment of $(275).

(4) Includes loss on severance costs of $481, excise and franchise tax expense of $629, compensation expense that may be paid in stock of $535 and non-recurring expenses related to a block repurchase of our common stock and other legal matters of $1,747.

(5) Includes loss on severance costs of $525, excise and franchise tax expense of $594 and compensation expense that may be paid in stock of $559.

(6) See Note 4 for further information.

22. Related Party Transactions

Effective October 2015, Investacorp's lease with Frost Real Estate Holdings, LLC ("FREH"), an entity affiliated with the Company's former chairman of the board and former principal shareholder, in an office building in Miami, Florida, was renewed and now expires in September 2020. The lease provides for aggregate payments during the five-year term of approximately $2,420 and minimum annual payments of $484. Future payments for the remainder of the lease total $385. Rent expense under such lease amounted to $533, $522 and $506 in 2019, 2018 and 2017, respectively.

Ladenburg's principal executive offices are located in the same office building in Miami, Florida, where approximately 14,050 square feet of office space is leased from FREH. Ladenburg's lease was renewed effective March 2018 and now expires in February 2023 with two optional five-year extensions. The lease provides for aggregate payments during the remaining term of approximately $1,776 and minimum annual payment of $444. Rent expense under such lease amounted to $560, $565, and $565 in 2019, 2018 and 2017, respectively.

The Company was party to an agreement with Vector, where Vector had agreed to make available to the Company the services of Vector's Executive Vice President to serve as the President and Chief Executive Officer of the Company and to provide certain other financial, tax and accounting services. Various executive officers and directors of Vector previously served as members of the board of directors of the Company, and Vector owned approximately 10.11% of the Company's common stock at December 31, 2019. In consideration for such services, the Company agreed to pay Vector an annual management fee plus reimbursement of expenses and to indemnify Vector. The agreement was terminable by either party upon 30 days' prior written notice. The agreement was terminated in connection withe the Company's merger with Advisor Group Holdings, Inc. ("Advisor Group"). The Company paid Vector $850 in 2019, 2018 and 2017 under the agreement.

In 2015, the Company entered into a Consulting Services Agreement with Nextt Advisors Inc., a corporation owned solely by the son-in-law (the "Consultant") of the Company's Chairman, President and Chief Executive Officer. Pursuant to the agreement, the Company paid the Consultant $200 in 2017. Effective January 1, 2018, the consulting agreement was terminated and the consultant became an employee of the Company. The Consultant's total compensation for 2018 was approximately $363, which includes his base salary, annual cash bonus, equity awards and 401(k) matching contributions for 2018. The Consultant's total compensation for 2019 was approximately $455, which includes his base salary, annual cash bonus, equity awards and 401(k) matching contributions for 2019.

SSN has an operating lease for office facilities with Cogdill Capital LLC, an entity in which SSN's Chief Executive Officer and Chief Financial Officer are members and own a minority percentage of such entity, which expires in March 2020. Rent expense under such lease amounted to $302 in 2018, $293 in 2018 and $285 in 2017.

The Company was party to an agreement with Castle Brands Inc. ("Castle") under which the Company provided certain administrative, legal and financial services to Castle. The Company's former Chairman, President and Chief Executive Officer, who was also a director of the Company, was also the President and Chief Executive Officer and a director of Castle. Various former Company directors previously served as directors of Castle. The Company received $203 in 2019, $233 in 2018 and $260 in 2017 under this agreement. The agreement was terminated in 2019.

In 2018, in connection with the offering of Notes, as more fully described in Note 14, certain members of management and the Board of Directors of the Company and the former chairman of the board and principal shareholder purchased $10,400 of the 6.5% Senior Notes offered by the Company. See also Note 14 for information regarding other loan transactions involving related parties.

In 2018, Ladenburg acted as underwriter in two offerings of the Company's senior notes for an amount of $693.

Ladenburg holds $1,622 of 7% Senior Notes of the Company and received interest payments of $113 in 2019 and $66 in 2018.

In January 2019, Michael Liebowitz joined the board of directors of the Company. Mr. Liebowitz was President and CEO of Harbor Group, and owned 50% of the equity interests in Harbor Group until the sale of Harbor Group in September 2018. During the years ended December 31, 2019 and 2018, Harbor Group was paid by unaffiliated insurance carriers approximately $183 and $884, respectively, in brokerage commissions for placing policies covering the Company and its subsidiaries. Mr. Liebowitz did not receive any direct compensation from the Company during the years ended December 31, 2019 or 2018.

Mr. Liebowitz resigned as a member of the Company's board of directors upon the consummation of the Company's merger with Advisor Group.

23. Subsequent Events

On November 11, 2019, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") by and among the Company, Advisor Group, and Harvest Merger Sub, Inc., a Florida corporation and a wholly owned subsidiary of Advisor Group ("Merger Sub"). Under the Merger Agreement, on February 14, 2020, Merger Sub merged with and into the Company (the "Merger"), with the Company continuing as the surviving corporation in the Merger and a wholly owned subsidiary of Advisor Group. As a result of the Merger, a change of control of the Company occurred, and the Company is now a wholly owned subsidiary of Advisor Group, which is owned by private investment funds sponsored by Reverence Capital Partners LLC.

The Merger caused each share of the Company's Common Stock to be cancelled and converted into the right to receive $3.50 in cash (the "Merger Consideration").

Each outstanding option award to purchase the Company's Common Stock (a "Company Option") was accelerated. Each holder of a Company Option received cash equal to the product of (i) the number of shares subject to the Company Option and (ii) the excess of the Merger Consideration over the exercise price per share of the Company Option.

All outstanding restricted stock awards of the Company (a "Company Restricted Share") were accelerated with each holder receiving cash equal to the product of (i) the number of common shares underlying such Company restricted stock awards held and (ii) the Merger Consideration.

In February 2020, the December 2018 Notes were purchased by Advisor Group, our affiliate, and became a intercompany balance.

As required by the terms of the Company's Series A Preferred Stock, on February 14, 2020, the Company provided notice to the holders of its Series A Preferred Stock of their right to convert each share of Series A Preferred Stock owned by them into $25.0389 per share in cash. The conversion right arose from the Merger and the resulting change of control of the Company. 12,816,614 shares of Series A Preferred Stock were converted and 4,584,668 shares of Series A Preferred Stock remained outstanding as of March 10, 2020.

On February 13, 2020, AG Issuer, LLC ("AG Escrow Issuer") issued $500,000 in aggregate principal amount of 6.25% Senior Secured Notes due 2028 (the "2028 Senior Secured Notes"). The 2028 Senior Secured Notes were issued under an indenture, dated February 13, 2020 (the "Initial Indenture"), by and between AG Escrow Issuer and Wilmington Trust, National Association, as trustee (the "Trustee") and as notes collateral agent (the "Notes Collateral Agent").

AG Escrow Issuer was merged with and into Advisor Group on February 14, 2020. In connection therewith, the Company and Securities America Financial Corporation (together, the "Ladenburg Guarantors") entered into a supplemental indenture, dated February 14, 2020 (the "2028 Senior Secured Notes Supplemental Indenture," and together with the Initial Indenture, the "2028 Senior Secured Notes Indenture"), pursuant to which the Ladenburg Guarantors have agreed to guarantee all of Advisor Group's obligations under the 2028 Senior Secured Notes Indenture and the 2028 Senior Secured Notes.

On February 14, 2020, the Ladenburg Guarantors entered into a supplemental indenture (the "2027 Senior Notes Supplemental Indenture"), pursuant to which the Ladenburg Guarantors agreed to guarantee all of Advisor Group's obligations under the indenture, dated as of August 1, 2019, among Advisor Group, the guarantor parties thereto from time to time, and the Trustee (as supplemented, the "2027 Senior Notes Indenture"), and Advisor Group's 10.75% senior unsecured notes due 2027 (the "2027 Senior Notes"), which, as of February 14, 2020, had an outstanding aggregate principal amount of approximately $350,000. On February 20, 2020, the Ladenburg Guarantors entered into a third supplemental indenture, pursuant to which the Ladenburg Guarantors agreed to guarantee an additional $63,000 in 2027 Senior Notes issued by Advisor Group.

On February 14, 2020, the Ladenburg Guarantors, as guarantors, entered into a joinder agreement to Advisor Group's credit agreement with, *inter alios*, the several lending institutions from time to time party thereto and UBS AG, Stamford Branch, as administrative agent, governing the senior secured credit facilities (the "Senior Secured Credit Facilities"). On February 14, 2020, the Senior Secured Credit Facilities consisted of (i) a seven-year $1.5 billion senior secured Term Loan B facility (the "Term Loan Facility") and (ii) a $325 million senior secured revolving credit facility (the "Revolving Credit Facility").

24. Quarterly Financial Data (Unaudited)

	Quarters			
	1st	2nd	3rd	4th
2019:				
Revenues	$ 335,455	$ 363,580	$ 374,532	$ 395,735
Expenses (1)	330,515	353,982	359,142	394,992
Income before item shown below	4,940	9,598	15,390	743
Change in fair value of contingent consideration	(112)	(85)	(93)	(374)
Income before income taxes	$ 4,828	$ 9,513	$ 15,297	$ 369
Net income	$ 3,432	$ 7,508	$ 11,277	$ 508
(Income) loss attributable to noncontrolling interest	(1)	(20)	79	(16)
Net income attributable to the Company	$ 3,431	$ 7,488	$ 11,356	$ 492
Dividends declared on preferred stock	(8,590)	(8,695)	(8,702)	(8,702)
Net (loss) income available to common shareholders	$ (5,159)	$ (1,207)	$ 2,654	$ (8,210)
Basic (loss) income per common share (2)	$ (0.04)	$ (0.01)	$ 0.02	$ (0.06)
Diluted (loss) income per common share (2)	$ (0.04)	$ (0.01)	$ 0.02	$ (0.06)
Basic weighted average common shares	143,311,024	143,444,079	143,092,912	143,640,497
Diluted weighted average common shares	143,311,024	143,444,079	147,960,009	140,640,497

(1) Includes a $1,494, $1,444, $1,536 and $1,632 charge for non-cash compensation in the first, second, third and fourth quarters of 2019, respectively.
(2) Due to rounding, the sum of the quarters' basic and diluted loss per common share do not equal the full fiscal year amount.

	Quarters			
	1st	2nd	3rd	4th
2018:				
Revenues	$ 329,384	$ 357,756	$ 348,875	$ 355,121
Expenses (1)	321,687	343,822	336,164	342,060
Income before item shown below	7,697	13,934	12,711	13,061
Change in fair value of contingent consideration	(61)	(50)	(54)	(73)
Income before income taxes	$ 7,636	$ 13,884	$ 12,657	$ 12,988
Net income	$ 5,464	$ 9,310	$ 9,450	$ 9,562
Income attributable to noncontrolling interest	(1)	(8)	(13)	(6)
Net income attributable to the Company	$ 5,463	$ 9,302	$ 9,437	$ 9,556
Dividends declared on preferred stock	(8,508)	(8,508)	(8,507)	(8,508)
Net (loss) income available to common shareholders	$ (3,045)	$ 794	$ 930	$ 1,048
Basic (loss) income per common share (2)	$ (0.02)	$ 0.00	$ 0.00	$ 0.01
Diluted (loss) income per common share (2)	$ (0.02)	$ 0.00	$ 0.00	$ 0.01
Basic weighted average common shares	195,898,794	196,557,837	196,381,910	189,463,849
Diluted weighted average common shares	195,898,794	209,855,936	208,387,236	198,743,096

(1) Includes a $1,494, $1,568, $1,380 and $1,440 charge for non-cash compensation in the first, second, third and fourth quarters of 2018, respectively.
(2) Due to rounding, the sum of the quarters' basic and diluted loss per common share do not equal the full fiscal year amount.

EXHIBIT 4.15

DESCRIPTION OF REGISTERD SECURITIES

Ladenburg Thalmann Financial Services Inc. ("Ladenburg", the "Company", "we", "our" or "us") had six classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of December 31, 2019: our common stock, par value $0.0001 per share (the "Common Stock"), our 8.00% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Stock"), our 6.50% Senior Notes Due 2027 (the "6.50% Notes"), our 7.00% Senior Notes due 2028 (the "7.00% Notes"), our 7.25% Senior Notes due 2028 (the "7.25% Notes") and our 7.75% Senior Notes due 2029 (the "7.75% Notes" and, collectively with the 6.50% Notes, the 7.00% Notes and the 7.25% Notes, the "Notes"). The following summarizes certain material terms and provisions of our securities registered under Section 12 of the Exchange Act.

Overview - Authorized and Outstanding Shares

As of March 10, 2020, under our articles of incorporation, as amended, we had the authority to issue:

- 1,000,000,000 shares of common stock, par value $0.0001 per share; and
- 50,000,000 shares of preferred stock, par value $0.0001 per share, which are issuable in series on terms determined by our Board of Directors.

As of March 10, 2020, we had 100 shares of our common stock outstanding and 4,584,668 shares of our Series A Preferred Stock outstanding.

Description of Our Common Stock

The following is a summary of the material terms and provisions of our common stock. The statements below describing our common stock are in all respects subject to and qualified in their entirety by reference to the applicable provisions of our Articles of Incorporation, as amended, and our Amended and Restated Bylaws.

Preemptive Rights. The holders of our common stock do not have preemptive rights to purchase or subscribe for any stock or other securities of ours.

Voting Rights. Each outstanding share of common stock is entitled to one vote on all matters submitted to a vote of shareholders.

Dividends. Subject to preferences that may be applicable to any outstanding shares of preferred stock, holders of our common stock are entitled to receive ratably such dividends as may be declared from time to time by our Board of Directors out of legally available assets, payable in cash, in property or in shares of our common stock. The right of our Board of Directors to declare dividends, however, is subject to any rights of the holders of other classes of our capital stock and the availability of sufficient funds under Florida law to pay dividends.

No Conversion. Holders of shares of common stock have no conversion or exchange rights.

No Redemption. Holders of shares of common stock have no redemption or repurchase rights and the shares of common stock are not subject to mandatory redemption.

Liquidation Rights. In the event of our liquidation, dissolution or winding up, holders of common stock are entitled to share ratably in all assets remaining after payment of all debts and other liabilities and any amounts due to the holders of preferred stock. Holders of our common stock have no preemptive or conversion rights.

Listing. Our common stock was previously listed on the NYSE American under the symbol "LTS." On February 14, 2020, the NYSE American filed Form 25 to delist our shares of common stock in connection with our merger with Harvest Merger Sub, Inc., a subsidiary of Advisor Group Holdings, Inc.

Description of Our Series A Preferred Stock

The following is a summary of the material terms and provisions of the Series A Preferred Stock. The statements below describing our Series A Preferred Stock are in all respects subject to and qualified in their entirety by reference to the applicable provisions of our Articles of Incorporation, as amended, and our Amended and Restated Bylaws.

Listing. Our Series A Preferred Stock was previously listed on the NYSE American under the symbol “LTS PrA.” On February 24, 2020, we filed Form 25 to delist our shares of Series A Preferred Stock from the NYSE American. Our Series A Preferred Stock now trades under the symbol "LTSA" on the Pink Sheets.

Dividends. Holders of shares of the Series A Preferred Stock are entitled to receive cumulative cash dividends at the rate of 8.00% of the $25.00 per share liquidation preference per annum (equivalent to $2.00 per annum per share). Dividends on the Series A Preferred Stock shall be payable monthly on the 28th day of each month; provided that if any dividend payment date is not a business day, as defined in the articles of amendment relating to the Series A Preferred Stock, then the dividend that would otherwise have been payable on that dividend payment date may be paid on the next succeeding business day and no interest, additional dividends or other sums will accrue on the amount so payable for the period from and after that dividend payment date to that next succeeding business day. Any dividend payable on the Series A Preferred Stock, including dividends payable for any partial dividend period, will be computed on the basis of a 360-day year consisting of twelve 30-day months. Dividends will be payable to holders of record as they appear in our stock records for the Series A Preferred Stock at the close of business on the applicable record date, which shall be the 15th day of the calendar month, whether or not a business day, in which the applicable dividend payment date falls. As a result, holders of shares of Series A Preferred Stock will not be entitled to receive dividends on a dividend payment date if such shares were not issued and outstanding on the applicable dividend record date.

No dividends on shares of Series A Preferred Stock shall be authorized by our board of directors or paid or set apart for payment by us at any time when the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibit the authorization, payment or setting apart for payment thereof or provide that the authorization, payment or setting apart for payment thereof would constitute a breach of the agreement or a default under the agreement, or if the authorization, payment or setting apart for payment shall be restricted or prohibited by law.

Notwithstanding the foregoing, dividends on the Series A Preferred Stock will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of those dividends and whether or not those dividends are declared by our board of directors. No interest, or sum in lieu of interest, will be payable in respect of any dividend payment or payments on the Series A Preferred Stock that may be in arrears, and holders of the Series A Preferred Stock will not be entitled to any dividends in excess of full cumulative dividends described above. Any dividend payment made on the Series A Preferred Stock shall first be credited against the earliest accumulated but unpaid dividend due with respect to those shares.

Unless full cumulative dividends on all shares of Series A Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof has been or contemporaneously is set apart for payment for all past dividend periods, no dividends (other than in shares of common stock, or in shares of any series of preferred stock that we may issue ranking junior to the Series A Preferred Stock as to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up) shall be declared or paid or set aside for payment upon shares of our common stock, or preferred stock that we may issue ranking junior to, or on a parity with, the Series A Preferred Stock as to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up. Nor shall any other distributions be declared or made upon shares of our common stock, or preferred stock that we may issue ranking junior to, or on a parity with, the Series A Preferred Stock as to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up. Also, any shares of our common stock or preferred stock that we may issue ranking junior to or on a parity with the Series A Preferred Stock as to the payment of dividends and distribution of assets upon liquidation, dissolution or winding up shall not be redeemed, purchased or otherwise acquired for any consideration (or any moneys paid to or made available for a sinking fund for the redemption of any such shares) by us (except by conversion into or exchange for our other capital stock that we may issue ranking junior to the Series A Preferred Stock as to the payment of dividends and the distribution of assets upon liquidation, dissolution or winding up).

When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Stock and the shares of any other series of preferred stock that we may issue ranking on a parity as to the payment of dividends with the Series A Preferred Stock, all dividends declared upon the Series A Preferred Stock and any other series of preferred stock that we may issue ranking on a parity as to the payment of dividends with the Series A Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Series A Preferred Stock and such other series of preferred stock that we may issue shall in all cases bear to each other the same ratio that accrued dividends per share on the Series A Preferred Stock and such other series of preferred stock that we may issue (which shall not include any accrual in respect of unpaid dividends for prior dividend periods if such preferred stock does not have a cumulative dividend) bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Stock that may be in arrears.

No Maturity. The Series A Preferred Stock has no stated maturity, is not subject to any sinking fund or mandatory redemption and will remain outstanding indefinitely unless repurchased or redeemed by us or they become convertible and are converted as described below.

Optional Redemption. We have the option to redeem the Series A Preferred Stock, in whole or in part, at any time or from time to time, for cash at a redemption price equal to $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the redemption date.

Conversion Rights. Upon the occurrence of a Change of Control, each holder of Series A Preferred Stock will have the right, subject to our election to redeem the Series A Preferred Stock in whole or part, prior to the Change of Control Conversion Date, to convert some or all of the Series A Preferred Stock held by such holder on the Change of Control Conversion Date into a number of shares of our common stock per share of Series A Preferred Stock equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series A Preferred Stock plus the amount of any accumulated and unpaid dividends thereon to, but not including, the Change of Control Conversion Date (unless the Change of Control Conversion Date is after a dividend record date (as defined herein) and prior to the corresponding dividend payment date (as defined herein) for the Series A Preferred Stock, in which case no additional amount for such accrued and unpaid dividends will be included in this sum) by (ii) the Common Stock Price (as defined herein); and

- 25.00, which we refer to as the "Share Cap," subject to adjustments for any splits, subdivisions or combinations of our common stock;

in each case, on the terms and subject to the conditions described in our Articles of Amendment to our Articles of Incorporation designated the Series A Preferred Stock (the "Articles of Amendment"), including provisions for the receipt, under specified circumstances, of alternative consideration as described in this prospectus supplement.

Liquidation Preference. If we liquidate, dissolve or wind up, holders of the Series A Preferred Stock will have the right to receive $25.00 per share, plus any accumulated and unpaid dividends to, but not including, the date of payment, before any payment is made to the holders of our common stock.

Ranking. The Series A Preferred Stock ranks, with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up, (1) senior to all classes or series of our common stock and to all other equity securities issued by us other than equity securities referred to in clauses (2) and (3); (2) on a parity with all equity securities issued by us with terms specifically providing that those equity securities rank on a parity with the Series A Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up; (3) junior to all equity securities issued by us with terms specifically providing that those equity securities rank senior to the Series A Preferred Stock with respect to rights to the payment of dividends and the distribution of assets upon our liquidation, dissolution or winding up; and (4) effectively junior to all of our existing and future indebtedness (including indebtedness convertible to our common stock or preferred stock) and to the indebtedness and other liabilities of (as well as any preferred equity interests held by others in) our existing subsidiaries and any future subsidiaries.

Voting Rights. Holders of Series A Preferred Stock will generally have no voting rights. However, if we do not pay dividends on the Series A Preferred Stock for eighteen or more monthly dividend periods (whether or not consecutive), the holders of the Series A Preferred Stock (voting separately as a class with the holders of all other classes or series of our preferred stock we may issue upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series A Preferred Stock in the election referred to below) will be entitled to vote for the election of two additional directors to serve on our board of directors until we pay, or declare and set aside funds for the payment of, all dividends that we owe on the Series A Preferred Stock, subject to certain. In addition, the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock is required for us to authorize or issue any class or series of our capital stock ranking senior to the Series A Preferred Stock with respect to the payment of dividends or the distribution of assets on liquidation, dissolution or winding up, to amend any provision of our articles of incorporation so as to materially and adversely affect any rights of the Series A Preferred Stock or to take certain other actions. If any such amendments to our articles of incorporation would be material and adverse to holders of the Series A Preferred Stock and any other series of parity preferred stock upon which similar voting rights have been conferred and are exercisable, a vote of at least two-thirds of the outstanding shares of Series A Preferred Stock and the shares of the other applicable series materially and adversely affected, voting together as a class, would be required.

No Preemptive Rights. No holders of the Series A Preferred Stock will, as holders of Series A Preferred Stock, have any preemptive rights to purchase or subscribe for our common stock or any other security.

Transfer Agent and Registrar. The transfer agent and registrar of our Series A Preferred Stock is American Stock Transfer & Trust Company, LLC.

Description of Our Notes

The following is a summary of the material terms and provisions of the Notes. The statements below describing our Notes are in all respects subject to and qualified in their entirety by reference to the applicable provisions of the Indenture, dated as of November 21, 2017 (the "Indenture"), between the Company and U.S. Bank National Association, as Trustee (the "Trustee"), as supplemented by the First Supplemental Indenture, dated as of November 21, 2017, the Second Supplemental Indenture, dated as of May 30, 2018, the Third Supplemental Indenture, dated as of August 16, 2018 and the Fourth Supplemental Indenture, dated as of May 29, 2019.

Outstanding Notes. As of December 31, 2019, we had $82,749,000 of 6.50% Notes outstanding (net of $59,000 of unamortized discount), $42,480,000 of 7.00% Notes outstanding (net of $40,000 of unamortized discount), $60,000,000 of 7.25% Notes outstanding and $57,500,000 of 7.75% Notes outstanding.

Maturity. The 6.50% Notes will mature on November 30, 2027, the 7.00% Notes will mature on May 31, 2028, the 7.25% Notes will mature on September 30, 2028 and the 7.75% Notes will mature on June 30, 2029, each unless redeemed prior to maturity.

Interest Rate and Payment Dates. 6.50% interest per annum on the principal amount of the 6.50% Notes, 7.00% interest per annum on the principal amount of the 7.00% Notes, 7.25% interest per annum on the principal amount of the 7.25% Notes and 7.75% interest per annum on the principal amount of the 7.75% Notes, will accrue from the most recent interest payment date immediately preceding the date of issuance of the 6.50% Notes, 7.00% Notes, 7.25% Notes, and 7.75% Notes, respectively, except that Notes purchased after the record dates noted below, but prior to the interest payment date immediately following such record date (or if settlement of a purchase of Notes otherwise occurs after such record date but prior to the interest payment date immediately following such record date), such Notes will not begin to accrue interest until the interest payment date immediately following such record date. Interest will be paid quarterly in arrears on March 31, June 30, September 30 and December 31 of each year. The interest payable on each interest payment date will be paid only to holders of record of the Notes at the close of business on March 15, June 15, September 15 and December 15 of each year, as the case may be, immediately preceding the applicable interest payment date. As a general matter, holders of the Notes will not be entitled to receive any payments of principal on the Notes prior to the stated maturity date.

Guarantors. None.

Ranking. The Notes will be our senior unsecured obligations and will rank equal in right of payment with all of our existing and future senior unsecured and unsubordinated indebtedness. The Notes will be effectively subordinated to all of our existing and future secured indebtedness to the extent of the value of the assets securing such indebtedness. The Notes will be structurally subordinated to all existing and future indebtedness of our subsidiaries.

Optional Redemption. We may redeem the 6.50% 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 to, but excluding, the date of redemption. We may redeem the 7.00% 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 to, but excluding, the date of redemption. We may redeem the 7.25% 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 to, but excluding, the date of redemption. We may redeem the 7.75% 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 to, but excluding, the date of redemption.

Sinking Fund. The Notes will not be subject to any sinking fund (i.e., no amounts will be set aside by us to ensure repayment of the Notes at maturity).

Events of Default. Events of default generally include failure to pay principal, failure to pay interest, failure to observe or perform any other covenant or warranty in the Notes or in the indentures, and certain events of bankruptcy, insolvency or reorganization.

Certain Covenants. The indenture that governs the Notes contains certain covenants, including, but not limited to, restrictions on our ability to merge or consolidate with or into any other entity. The indenture does not limit the amount of

indebtedness that we or our subsidiaries may issue or contain any financial covenants, and does not restrict us from paying dividends or issuing or repurchasing our other securities.

Modification or Waiver. The holders of not less than a majority of the outstanding principal amount of the 6.75% Notes, the 7.00% Notes, the 7.25% Notes and the 7.75% Notes, may on behalf of the holders of all the Notes waive any past default with respect to such Notes, other than a default in the payment of principal or interest on such series of Notes, when such payments are due and payable (other than by acceleration. Certain changes to the Notes require the specific approval of each holder of the Notes, including changing the stated maturity, reducing the principal amount or rate of interest, waiving a default or an event of default in the payment of the principal of or interest on the Notes, reducing the principal amount of holders of the Notes whose consent is needed to modify or amend the indentures and making any changes to provisions of the indenture concerning the right of holders to receive principal and interest payments on the Notes, the right of holders holding a majority of the principal amount of the outstanding Notes to waive any past defaults and to make changes to the provision governing changes requiring approval of each holder.

Additional Notes. We may create and issue additional notes ranking equally and ratably with the 6.50% Notes, 7.00% Notes, 7.25% Notes and 7.75% Notes, in all respects, so that such additional notes will constitute and form a single series with the 6.50% Notes, 7.00% Notes, 7.25% Notes and 7.75% Notes, as applicable, and will have the same terms as to status, redemption or otherwise (except the price to public, the issue date and, if applicable, the initial interest payment date) as such Notes. We will not issue any such additional notes unless such issuance would constitute a “qualified reopening” for U.S. federal income tax purposes.

Listing. The 6.50% Notes, 7.00% Notes, 7.25% Notes and 7.75% Notes were previously listed on the NYSE American under the symbols “LTSL,” “LTSF,” “LTSK” and “LTSH,” respectively. On February 24, 2020, we filed Form 25 to delist the Notes. The Notes now trade under the same symbols on the Pink Sheets.

Form and Denomination. The Notes are issued in book-entry form in minimum denominations of $25 and integral multiples in excess thereof. The Notes are represented by a permanent global certificate deposited with the trustee as custodian for The Depository Trust Company (“DTC”) and registered in the name of a nominee of DTC. Beneficial interests in any of the Notes will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated securities, except in limited circumstances.

Trustee. U.S. Bank National Association.

Exhibit 21

SUBSIDIARIES OF REGISTRANT

The following are wholly-owned subsidiaries of the registrant:

NAME	STATE OF ORGANIZATION
HCHC Acquisition Inc.	Delaware
Highland Capital Brokerage, Inc.	Delaware
Highland Capital Holding Corporation	Delaware
KMS Financial Services, Inc.	Washington
Securities America Financial Corporation	Nebraska
Securities America, Inc.	Delaware
Securities America Advisors, Inc.	Nebraska
Securities Service Network, LLC	Tennessee
Ladenburg Thalmann Advisor Network LLC	Florida
Ladenburg Thalmann & Co. Inc.	Delaware
Ladenburg Thalmann Asset Management Inc.	New York
Investacorp, Inc.	Florida
Investacorp Advisory Services Inc.	Florida
Triad Advisors, LLC	Florida
Triad Hybrid Solutions, LLC	Florida
Premier Trust, Inc.	Nevada

Not included above are other subsidiaries which, if considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary, as such term is defined by Rule 1-02(w) of Regulation S-X.

EXHIBIT 31.1

SECTION 302 CERTIFICATION PURSUANT TO
RULE 13a-14 AND 15d-14 UNDER
THE SECURITIES ACT OF 1934, AS AMENDED

I, Jamie Price, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 13, 2020

/s/ Jamie Price
Jamie Price
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

SECTION 302 CERTIFICATION PURSUANT TO
RULE 13a-14 AND 15d-14 UNDER
THE SECURITIES ACT OF 1934, AS AMENDED

I, Brett H. Kaufman, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 13, 2020

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

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Ladenburg Thalmann Financial Services Inc. (the "Company") on Form 10-K for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jamie Price, 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: March 13, 2020

/s/ Jamie Price

Jamie Price
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

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Ladenburg Thalmann Financial Services Inc. (the "Company") on Form 10-K for the year ended December 31, 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: March 13, 2020

/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.