

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) April 5, 2002  
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LADENBURG THALMANN FINANCIAL SERVICES INC.  
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(Exact Name of Registrant as Specified in Charter)

Florida

1-15799

65-0701248  
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(State or Other Jurisdiction  
of Incorporation)

(Commission File  
Number)

(IRS Employer  
Identification No.)

590 Madison Avenue, 34th Floor, New York, New York  
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10022  
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(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code (212) 409-2000  
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Not Applicable  
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(Former Name or Former Address, if Changed Since Last Report)

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Item 5. Other Events

Ladenburg Thalmann Financial Services Inc. ("Company") today announced it has signed a letter of intent with Gruntal Financial, L.L.C. ("Gruntal") pursuant to which the Company will acquire Gruntal and its broker-dealer affiliates, Gruntal & Co., L.L.C. and The GMS Group, L.C.C.

The letter of intent and the press release announcing the signing of

the letter of intent are attached to this Report as Exhibits 99.1 and 99.2, respectively.

Item 7. Financial Statement and Exhibits

(c) Exhibits:

99.1 Letter of Intent

99.2 Press release dated April 5, 2002

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SIGNATURE

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

Date: April 8, 2002

LADENBURG THALMANN FINANCIAL SERVICES INC.

By: /s/ J. Bryant Kirkland III

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Name: J. Bryant Kirkland III  
Title: Chief Financial Officer

April 5, 2002

Mr. Robert P. Rittereiser  
Chairman and Chief Executive Officer  
Gruntal Financial, L.L.C.  
One Liberty Plaza  
New York, New York 10006

Dear Bob:

The purpose of this letter is to express the intention of Ladenburg Thalmann Financial Services Inc. ("Ladenburg") to purchase as promptly as possible all of the equity interests, and contribute \$20 million in cash to the capital of, Gruntal Financial, L.L.C. ("Gruntal Financial"), on the terms described below in the attached summary of terms, which was prepared with extensive input and cooperation from, and approved by, representatives of CIT, JPMorgan Chase, Orange Stone Reinsurance, ZGA US Limited and Brookfield Properties.

Upon execution of this letter by the parties, Ladenburg will continue its due diligence examination of Gruntal Financial and its affiliates, and will begin to prepare a definitive Purchase and Sale Agreement (the "Agreement") reflecting in more detail the further terms and conditions (including regulatory and other approvals) for transactions of this nature and any other customary terms and conditions, including satisfactory completion of Ladenburg's due diligence examination and representations with respect to organization, capitalization, absence of conflicts and third party approvals.

The further terms of our proposal are as follows:

1. Closing. The parties anticipate that the closing will occur on the later of May 1, 2002 (or earlier if possible) or five business days from the date of receipt of all necessary regulatory and other approvals. All of the above transactions would be consummated simultaneously, after the completion of mutually acceptable definitive documentation and the receipt of all necessary consents and approvals, including from the NYSE and third parties.

2. Expenses. Each party shall bear its own expenses in connection with the implementation of this letter of intent and the Agreement, regardless of whether or not the Agreement is executed. Gruntal Financial shall not bear expenses of any other party.

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3. Press Releases and Disclosure. Each party agrees that, except as otherwise required by applicable securities laws, neither it nor its affiliates will issue any press release or other disclosure of this letter of intent without the prior approval of the other, which shall not be unreasonably withheld.

4. Termination. This letter of intent may be terminated (i) by the mutual written consent of Gruntal Financial and Ladenburg, or (ii) by either party if the Agreement has not been executed by April 30, 2002 (the "Termination

Date"). Notwithstanding a termination, the provisions of items 2, 3, 4 and 7 shall survive the termination of this letter of intent.

5. Access. Gruntal Financial agrees to provide Ladenburg and its agents and professionals access to its books and records and to permit Ladenburg to continue to conduct its due diligence review, all subject to the provisions of the Confidentiality Agreement entered into between Gruntal Financial and Ladenburg.

6. No Shop Provisions. From the date of this Agreement to the Termination Date, in consideration of the substantial expenditure of time and expense we will be making, neither Gruntal Financial nor any other affiliate of Gruntal Financial shall, nor shall they permit any of their respective officers, directors or other representatives to, directly or indirectly, encourage, solicit, initiate or participate in discussions or negotiations with, or provide any information or assistance to, any person or group (other than Ladenburg and its representatives) concerning any merger, sale of securities, sale of substantial assets or similar transaction involving Gruntal Financial, Gruntal & Co. and their respective subsidiaries. Without limiting the foregoing, it is understood that any violation of the restrictions set forth in the preceding sentence by any officer, director or other representative of Gruntal Financial or any other affiliate of Gruntal Financial, whether or not such person is purporting to act on behalf of Gruntal Financial, any other affiliate of Gruntal Financial or otherwise, shall be deemed to be a breach of this item 6 by Gruntal Financial. In the event that Gruntal Financial or any other affiliate of Gruntal Financial receives an inquiry relating to any such transaction, Gruntal Financial shall promptly notify Ladenburg thereof.

7. No Binding Obligations. Except for items number 2, 3, 4, 6 and 7 as to which the parties intend to be and shall be legally bound, it is expressly understood and agreed that this letter of intent is intended to be an expression of our respective current intentions and does not constitute an offer by, or a legally binding or enforceable agreement or commitment on the part of, any party with respect to the matters described herein or a complete statement of any agreement, and does not impose on any party an enforceable duty or obligation to negotiate or conclude any such agreement or commitment. Except as to those specified items, the validity and enforceability of any agreement which may be reached is subject to and conditioned upon the parties agreeing upon and reducing to a definitive agreement all terms and conditions deemed necessary or advisable by them. Neither the expenditure of funds by any party nor any other action or inaction on the part of any party will be regarded as partial performance of a binding agreement or entitle the party expending funds or taking or omitting to take such action to any right to assert claims against the other party.

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If this letter of intent correctly reflects our mutual intentions, please sign and date the enclosed copy of this letter in the space provided below and return it to the undersigned.

Sincerely,

Ladenburg Thalmann Financial Services Inc.

By: /s/ Victor M. Rivas

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Victor M. Rivas  
President and Chief Executive Officer

Agreed and accepted this  
5th day of April, 2002

Gruntal Financial, L.L.C.

By: /s/ Robert P. Rittereiser

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Robert P. Rittereiser  
Chairman and Chief Executive Officer

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Possible Terms for the Acquisition  
of Gruntal Financial, L.L.C. by  
Ladenburg Thalmann Financial Services Inc.

Form of Transaction: Ladenburg Thalmann Financial Services Inc. ("Ladenburg") would acquire 100% of the outstanding equity interests in Gruntal Financial, L.L.C. ("Gruntal") for a nominal price. The purchase and sale would be on an "as is" basis, with no representations or warranties being made by any of the sellers or Orange Stone Reinsurance ("OSR"), except each seller would represent as to title to the securities sold by it and due corporate authorization for the transaction.

Equity Contribution: Ladenburg would contribute to the capital of Gruntal & Co. \$20 million in cash at closing.

Forgiveness of Subordinated Debt: ZGA US Limited ("ZGA") would forgive the \$10 million in aggregate principal amount of subordinated debt owed to ZGA by Gruntal & Co., at closing.

Treatment of CIT Obligations: OSR would contribute \$5 million in cash at closing to Gruntal for the purpose of satisfying a portion of the CIT leases to Gruntal & Co. The balance of the CIT leases would be forgiven at closing.

The existing CIT equipment loan associated with the branch offices and One Liberty Plaza would be restructured effective as of the closing. The aggregate principal amount of such obligations would be set at \$6 million. The term of no portion of the restructured portion of the loan would extend beyond 23 months, and the payment dates would correspond to the payment dates in the existing loan. The collateral consisting of the equipment currently used at One Liberty Plaza would be released, except that CIT retains the removable collateral on the 13th, 16th and 17th floors. CIT/J.P. Morgan Chase would receive the proceeds from the property and casualty insurance claims with respect to the

destroyed property at One Liberty Plaza.

Gruntal would deliver to CIT/J.P. Morgan Chase, promptly after provided to the NYSE, an updated Gruntal business plan (including projections) and an opening balance sheet and projected profit and loss statement.

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Treatment of Jacom Obligations:

OSR would contribute an additional \$3 million in cash at closing to Gruntal to be applied to the obligations of Gruntal and/or its subsidiaries to Jacom.

One Liberty Plaza Lease:

An affiliate of OSR would execute at closing a direct lease with respect to three and one-half floors of space currently occupied by Gruntal at One Liberty Plaza (14th, 16th, 17th and one half of the 13th floors). The termination date of an existing lease at One Liberty Plaza held by an OSR affiliate would be made co-terminus with that of the new lease.

Folksamerica would execute at closing a direct lease with respect to one floor of space currently occupied by Gruntal at One Liberty Plaza (the 18th floor). The agreed surrender payment (approximately \$613,000) would be made by Gruntal to the landlord.

Gruntal would cause J.P. Morgan Chase (or one of its affiliates) to provide at closing an irrevocable letter of credit in favor of the landlord in an amount equal to the unpaid rent from the period 1/18/02 through the closing (the "Unpaid Rent"), but not to exceed \$1.5 million. The letter of credit could be drawn at the end of six months after the closing in the maximum amount equal to the lesser of (i) the Unpaid Rent, less any payments made by Gruntal (or the business interruption insurers of Gruntal or the landlord) in respect of the Unpaid Rent, or (ii) \$1.5 million. The existing letter of credit would be surrendered at closing. The above transactions would be undertaken in settlement of the existing rent dispute at One Liberty Plaza. Gruntal would agree to use reasonable efforts to pursue all available claims under its business

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interruption insurance policies. The landlord would agree to use reasonable efforts to pursue all available claims under its rental value insurance policies. Gruntal and the landlord would agree to keep J.P. Morgan Chase reasonably informed about the status of such claims and provide copies of correspondence with such insurers. J.P. Morgan Chase would be assigned the first \$1.5 million, plus fees and expenses, of

Gruntal's business interruption insurance.

The above transactions would be effective as of the closing date.

New Subordinated Note:

Gruntal will issue to OSR or one of its affiliates at closing a new three-year subordinated note in the principal amount equal to one years' aggregate rent obligation with respect to the 14th Floor of One Liberty Plaza. The note would bear current interest at the annual rate of 3.5%, and the principal amount of the note would be repayable in three equal annual installments commencing at the end of the first year after the closing. If the 14th floor is assigned by the tenant to a third party during the first year after the closing, the principal amount of the note would be reduced by an amount equal to the portion of the first years' rent on such floor to be paid by the assignee.

Ladenburg Shares:

OSR or its affiliates would receive at closing 5 million shares of common stock of Ladenburg, in consideration of the financial accommodations provided by OSR and its affiliates. The shares would be accompanied by mutually acceptable registration rights.

Closing:

All of the above transactions would be consummated simultaneously, after the completion of mutually acceptable definitive documentation (including, without limitation, intercreditor agreements) and the receipt of all necessary consents and approvals, including from the NYSE and third parties.

Non-Binding Term Sheet:

This term sheet is non-binding.

## NEWS

FOR IMMEDIATE RELEASE

Contact: Paul Caminiti/Carrie Bloom  
Citigate Sard Verbinnen  
212/687-8080

## LADENBURG THALMANN TO ACQUIRE GRUNTAL

Strategic Transaction Creates One of the Nation's  
Leading Full Service Brokerage Firms

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NEW YORK, NY, April 5, 2002 -- Ladenburg Thalmann Financial Services Inc. (AMEX: LTS) today announced that it has entered into a letter of intent under which Ladenburg Thalmann will acquire Gruntal Financial, L.L.C. ("Gruntal") and its broker dealer affiliates, Gruntal & Co., L.L.C. and The GMS Group, L.L.C. The strategic transaction pairs two venerable Wall Street firms, both in excess of 100 years old, and creates one of the nation's leading full-service brokerage firms, with approximately 1160 brokers, serving corporate, institutional and individual investors.

Under the terms of agreement, Gruntal & Co. and The GMS Group will remain as separate broker dealers and standalone subsidiaries of Ladenburg Thalmann. Closing of this transaction is expected to be completed by May 1, 2002, following receipt of all appropriate regulatory approvals.

"We are thrilled to be joining our resources with the talented people of Gruntal," said Victor M. Rivas, President and Chief Executive Officer of Ladenburg Thalmann. "This strategic transaction brings to Ladenburg an additional 620 brokers, strong research capabilities, and a significant franchise in private client services, institutional equity sales and trading, among other attributes. The addition of Gruntal immediately doubles the size of Ladenburg's brokerage operations, enabling us to expand our client reach while continuing to deliver top-tier service to both Gruntal and Ladenburg customers."

Howard M. Lorber, Chairman of Ladenburg Thalmann Financial Services and President and Chief Operating Officer of New Valley Corporation (NASDAQ: NVAL), added, "We are pleased we've been able to seize this unique opportunity to make such a high quality acquisition and add the Gruntal name, their talented employees, and their significant client base to Ladenburg Thalmann. New Valley, whose shareholders remain significant shareholders of Ladenburg following the December 2001 spin off, fully intends to continue supporting Ladenburg following the Gruntal acquisition."

Robert Rittereiser, Gruntal's Chairman and Chief Executive Officer, stated, "I'm excited that Gruntal is becoming part of Ladenburg Thalmann, a full service financial institution that has earned a strong reputation in the brokerage industry with its clients and its employees. For over 100 years, Ladenburg has met the varying investment needs of corporate, institutional and individual clients - and we're committed to building on this tradition of excellence."

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Under the terms of the agreement, Ladenburg will acquire 100% of the outstanding equity interests in Gruntal Financial and contribute \$20 million in cash to the capital of Gruntal & Co. Additionally, at closing Ladenburg will issue 5 million shares to Gruntal's institutional stakeholder.

Founded in 1880 and headquartered in New York City, Gruntal Financial



L.L.C., which is comprised of Gruntal & Co., L.L.C. and The GMS Group, L.L.C., is a high-quality full-service financial services firm with a diverse business mix serving affluent individual, institutional, and corporate clients. The firm employs approximately 620 account executives across 31 locations in the Northeast, Florida, Illinois, California, Georgia, and Texas, with client assets totaling approximately \$19 billion. Gruntal & Co. consists of a strong franchise in private client services, institutional equity sales and trading, investment banking, research, and stock loan conduit, and fixed income sales, trading, and distribution. Gruntal is a member of the NYSE and NASD.

Ladenburg Thalmann Financial Services operates through its two wholly owned subsidiaries, Ladenburg Thalmann & Co. Inc. and Ladenburg Capital Management Inc., formerly known as GBI Capital Partners. Founded in 1876 and a NYSE member since 1879, Ladenburg is a full service investment banking and brokerage firm based in New York, with regional offices in Los Angeles, Boca Raton, Great Neck, Cleveland and Las Vegas. The Research division's strategic focus is on the Biotechnology, Communication Technology, Enterprise Software & Services, Energy, Medical Technology, Restaurants, Retailing/Special Situations, Satellite, and Technology (Computer Peripherals) sectors. Ladenburg's corporate finance department specializes in middle market companies and emerging growth businesses. The firm's retail brokerage division, Private Client Services, leverages the firm's research and asset management capabilities.

Ladenburg Capital Management is a full-service securities and trading firm providing personalized investment recommendations and service to individual and institutional investors. Ladenburg Capital Management is headquartered in Bethpage, NY and operates offices in New York City, Fort Lauderdale and San Francisco.

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