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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, 2003

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)
590 MADISON AVENUE, 34TH FLOOR NEW YORK, NEW YORK (Address of principal executive offices)	10022 (Zip Code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, par value $.0001 per share	American Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statement incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes [X] No [ ]

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).
Yes [ ] No [X]

As of June 30, 2003 (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 American Stock Exchange on that date) held by non-affiliates of the Registrant was approximately $7,000,000.

As of March 26, 2004, there were 43,627,130 shares of the Registrant's Common Stock outstanding.

LADENBURG THALMANN FINANCIAL SERVICES INC.
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PART I
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

ITEM 1. BUSINESS.

GENERAL

We are engaged in retail and institutional securities brokerage, investment banking services and investment activities through our principal operating subsidiary, Ladenburg Thalmann & Co. Inc. ("Ladenburg"). We are committed to establishing a significant presence in the financial services industry by meeting the varying investment needs of our corporate, institutional and retail clients.

Ladenburg is a full service broker-dealer that has been a member of the New York Stock Exchange ("NYSE") since 1879. It provides its services principally for middle market and emerging growth companies and high net worth individuals through a coordinated effort among corporate finance, capital markets, investment management, brokerage and trading professionals. Ladenburg is subject to regulation by, among others, the Securities and Exchange Commission ("SEC"), the NYSE and the National Association of Securities Dealers, Inc. ("NASD") and is a member of the Securities Investor Protection Corporation ("SIPC"). Ladenburg currently has 179 registered representatives and 158 other full time employees. Its private client services and institutional sales departments serve approximately 70,000 accounts nationwide and its asset management area provides investment management and financial planning services to numerous individuals and institutions.

We were incorporated under the laws of the State of Florida in February 1996. Ladenburg was incorporated under the laws of the State of Delaware in December 1971 and became our wholly owned subsidiary in May 2001. Our principal executive offices, as well as those of Ladenburg, are located at 590 Madison Avenue, New York, New York 10022 and both of our telephone numbers are (212) 409-2000. Ladenburg has branch offices located in Melville, New York, Boca Raton, Florida, Great Neck, New York, Los Angeles, California, New York, New York and Irvine, California. During the first quarter of 2003, we closed our branch office in Cleveland, Ohio. During the second quarter of 2003, we closed our branch office in Ft. Lauderdale, Florida, which constituted all of our market making activity. Ladenburg Thalmann Europe, Ltd., a wholly-owned subsidiary of Ladenburg, is a retail brokerage firm regulated by the Financial Services Authority which maintained an office in London, England, but is currently operating out of Ladenburg's principal executive office. Ladenburg maintains a website located at www.ladenburg.com.

RECENT DEVELOPMENTS

EXECUTIVE CHANGES

On March 9, 2004, we entered into a Severance, Waiver and Release Agreement with Victor M. Rivas, our president and chief executive officer. Under the Severance Agreement, effective March 31, 2004, Mr. Rivas will retire from all of his positions with us and our subsidiaries including Ladenburg. In connection with Mr. Rivas' retirement, we entered into an Employment Agreement with Charles I. Johnston pursuant to which Mr. Johnston will serve, effective April 1, 2004, as president, chief executive officer and a member of our board and as chairman and chief executive officer of Ladenburg. Most recently, Mr. Johnston was a managing director and the global head of private client services at Lehman Brothers, Inc. where he was responsible for all aspects of Lehman's private client services business which included 440 brokers in 14 branches.

DEBT CONVERSION

On March 29, 2004, we entered into an agreement with New Valley Corporation and Frost-Nevada Investments Trust, the holders of our outstanding $18,010 aggregate principal amount of senior convertible promissory notes, pursuant to which such parties agreed to convert their notes and accrued interest into common stock, subject to shareholder approval. Pursuant to the agreement, New Valley and Frost-Nevada will convert their notes into approximately 26,000,000 shares of common stock at reduced conversion prices of $1.10 per share and $0.70 per share, respectively. The agreement is subject to, among other things, approval by our shareholders at a special meeting that is expected to be held in the second quarter of 2004. As a result of the conversion, New Valley and Frost-Nevada will beneficially own approximately 12.5% and 27.6%, respectively, of our common stock. Concurrently with this agreement, we entered into an agreement with Berliner Effektengesellschaft AG, the holder of the remaining $1,990 aggregate principal amount of senior convertible promissory notes, pursuant to which we will repurchase the notes held by Berliner, plus all accrued interest thereon, for $1,000 in cash.

We currently anticipate recording a pre-tax charge in 2004 of approximately $10,900 in our statements of operations upon closing of these transactions. The charge reflects expense attributable to the reduction in the conversion price of the notes to be converted, offset partially by the gain on the repurchase of the Berliner notes. The net balance sheet effect of the transactions will be an increase in our shareholders' equity of approximately $22,900.

RETAIL BUSINESS

An increasing percentage of our revenues during the last several years have been generated from the retail business of Ladenburg and Ladenburg Capital Management Inc. ("Ladenburg Capital"), one of our former operating subsidiaries (77.0% in 2003, 64.9% in 2002 and 48.2% in 2001). Ladenburg's private client services and institutional sales departments currently serve approximately a total of 70,000 accounts nationwide. Ladenburg charges commissions to our individual and institutional clients for executing buy and sell orders of securities on national and regional exchanges.

INVESTMENT BANKING ACTIVITIES

Revenues generated from the investment banking activities of Ladenburg and Ladenburg Capital, represent 4.6%, 11.4% and 12.5% of our total revenues in 2003, 2002 and 2001, respectively. Our investment banking professionals maintain relationships with businesses and provide them with advisory and investor relations support. Services include:

- merger and acquisition consulting;
- management of and participation in underwriting of public and private equity and debt financings;
- rendering appraisals, financial evaluations and fairness opinions; and
- providing general banking and corporate finance consulting services.

In the investment banking area, our subsidiaries have been active as underwriters or selling group members in numerous public equity transactions. Participation as a managing underwriter or in an underwriting syndicate involves both economic and regulatory risks. An underwriter may incur losses if it is unable to resell the securities it is committed to purchase. In addition, under the federal securities laws, other laws and court decisions with respect to underwriters' liabilities and limitations on the indemnification of underwriters by issuers, an underwriter is subject to substantial potential liability for

misstatements or omissions of material facts in prospectuses and other communications with respect to such offerings. Acting as a managing underwriter increases these risks. Underwriting commitments constitute a charge against net capital and Ladenburg's ability to make underwriting commitments may be limited by the requirement that it must at all times be in compliance with regulations regarding its net capital.

INVESTMENT ACTIVITIES

Ladenburg also seeks to realize investment gains by purchasing, selling and holding securities for its own account on a daily basis. Ladenburg engages 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. Additionally, in connection with our investment banking activities, Ladenburg generally receives warrants that entitle it to purchase securities of the corporate issuers for which it raises capital or provides advisory services.

LADENBURG ASSET MANAGEMENT PROGRAM

Ladenburg offers its customers an asset management program, the Ladenburg Asset Management Program ("LAMP"), to assist its customers in achieving their desired investment objectives. LAMP has the ability to formulate

mutual fund portfolios that are balanced, diversified and consistent with each individual's short-term and long-term financial objectives. A variety of factors are taken into consideration when building client portfolios with LAMP, such as allocating investments into a blend of funds and creating portfolios that meet each client's needs. The custom portfolios are monitored on a consistent basis and updated periodically.

WEALTH MANAGEMENT STRATEGY

Ladenburg provides its customers with a broad range of wealth management services in order to help them manage their financial resources. Through our subsidiaries, Financial Partners Capital Management, Inc. and Ladenburg Thalmann Asset Management, Inc., registered investment advisers, we are able to provide clients with discretionary portfolio management and financial planning.

Financial Partners Capital Management offers planning services primarily to corporate executives and other high net-worth individuals. The process includes a thorough evaluation of the client's current financial position, income tax planning, estate and gift planning, comprehensive retirement planning and cash flow analysis among other services.

Our subsidiaries also provide comprehensive investment management services to high net-worth individuals, corporations and pension fund clients. Through our subsidiary, Ladenburg Thalmann Asset Management Inc., a registered investment adviser, we are able to give our clients the ability to invest with a variety of money managers and investment funds. Ladenburg Thalmann Asset Management's review process entails focusing on a client's tolerance for risk, capital growth expectations and income requirements as well as analyzing whether the client may benefit from investing in tax-advantaged products.

The Ladenburg Focus Fund, L.P. is an open ended private investment fund that invests its capital in publicly traded equity securities and options strategies for the benefit of a number of our clients. Our wholly owned subsidiary, Ladenburg Capital Fund Management Inc., is the general partner of this fund for which it receives an annual management fee based on the net assets of the fund and an incentive fee based on the performance of the fund each year.

ADMINISTRATION, OPERATIONS, SECURITIES TRANSACTIONS PROCESSING AND CUSTOMER ACCOUNTS

Ladenburg does not hold any funds or securities for its customers. Instead, it uses the services of a clearing agent on a fully disclosed basis. This clearing agent processes all securities transactions and maintains customer accounts on a fee basis. Customer accounts are protected through the SIPC for up to $500, of which coverage for cash balances is limited to $100. In addition, all customer accounts are fully protected by an Excess Securities Bond issued by the Radian Asset Assurance, Inc. providing protection for the account's entire net equity (both cash and securities). The services of this clearing agent 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 Ladenburg's brokerage activities. It provides these services to Ladenburg's customers at a total cost which we believe is less than it would cost us to process such transactions on our own. The clearing agent also lends funds to Ladenburg's customers 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. Ladenburg has agreed to indemnify the clearing broker for losses it may incur on these credit arrangements.

In November 2002, we renegotiated a clearing agreement with one of our clearing brokers whereby this clearing broker became our primary clearing broker, clearing substantially all of our business (the "Clearing Conversion"). As part of the new agreement with this clearing broker, we are realizing significant cost savings from reduced ticket charges and other incentives. In addition, under the new clearing agreement, an affiliate of the clearing broker loaned us an aggregate of $3,500 (the "Clearing Loans") in December 2002. The Clearing Loans and the related accrued interest are forgivable over various periods, up to four years from the date of the Clearing Conversion, provided we continue to clear our transactions through this clearing broker. As scheduled, in November 2003, $1,500 of the Clearing Loans was forgiven. The remaining principal balance on the Clearing Loans is scheduled to be forgiven as follows: $667 in November 2004, $667 in November 2005 and $666 in November 2006. Upon the forgiveness of the Clearing Loans, the forgiven amount is accounted for as other revenues. However, if the clearing agreement is terminated for any reason prior to the loan maturity date, the loan, less any amount that has been forgiven through the date of the termination, plus interest, must be repaid on demand.

COMPETITION

Ladenburg encounters intense competition in all aspects of its business and competes directly with many other securities firms for clients, as well as registered representatives. Many of its competitors have significantly greater financial, technical, marketing and other resources than it does. National retail firms such as Merrill Lynch Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc. and Morgan Stanley/Dean Witter & Co. dominate the industry. Ladenburg also competes with numerous regional and local firms. In addition, a number of firms offer discount brokerage services to retail customers and generally effect transactions at substantially lower commission rates on an "execution only" basis, without offering other services such as investment recommendations and research. Moreover, there is substantial

commission discounting by full-service broker-dealers competing for institutional and retail brokerage business. A growing number of brokerage firms offer online trading which has further intensified the competition for brokerage customers. Although Ladenburg offers on-line account access to its customers to review their account balances and activity, it currently does not offer any online trading services to its customers. The continued expansion of discount brokerage firms and online trading could adversely affect the retail business. Other financial institutions, notably commercial banks and savings and loan associations, offer customers some of the same services and products presently provided by securities firms. While it is not possible to predict the type and extent of competing services which banks and other institutions ultimately may offer to customers, Ladenburg may be adversely affected to the extent those

services are offered on a large scale basis. We try to compete through our advertising and recruiting programs for registered representatives interested in joining us.

GOVERNMENT REGULATION

The securities industry and our business is subject to extensive regulation by the SEC, state securities regulators and other governmental regulatory authorities. 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 the NASD Regulation, Inc., the regulatory arm of the NASD, the NYSE and the Municipal Securities Rulemaking Board. These self-regulatory organizations adopt rules, subject to approval by the SEC, which govern its members and 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. Ladenburg is a registered broker-dealer with the SEC and a member firm of the NYSE. It is licensed to conduct activities as a broker-dealer in all 50 states.

Ladenburg Thalmann Europe is an authorized securities broker regulated by the Financial Services Authority of the United Kingdom and, through the European Community's passporting provisions, is authorized to conduct business in all of the member countries of the European Community.

The regulations to which broker-dealers are subject cover all 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; and
- the conduct of directors, officers and employees.

Additional legislation, changes in rules promulgated by the SEC and by self-regulatory bodies or changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers. 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 registered representatives.

NET CAPITAL REQUIREMENTS

As a registered broker-dealer and member of the NYSE, Ladenburg is subject to the SEC's net capital rule, which 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. In computing net capital, various adjustments are made to net worth which exclude assets not readily convertible into cash. Additionally, the regulations require that certain assets, such as a broker-dealer's position in securities, be valued in a conservative manner so as to avoid over-inflation of the broker-dealer's net capital. We compute net capital under the alternate method permitted by the net capital rule. Under this method,

Ladenburg is required to maintain net capital equal to $250. 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.

In addition to the above requirements, 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 which 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 percent (120%) of the minimum net capital requirement.

At December 31, 2003, Ladenburg had net capital of $6,745 which exceeded its minimum net capital requirement of $250 by $6,495. Failure to maintain the required net capital may subject a firm to suspension or expulsion by the NYSE, 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 it, which in turn could limit our ability to pay dividends, repay debt and redeem or purchase shares of our outstanding capital stock.

PERSONNEL

At December 31, 2003, we had a total of approximately 324 employees, of which 172 are registered representatives and 152 are other full time employees. These employees are not covered by a collective bargaining agreement. We consider our relationship with our employees to be good.

RISK FACTORS

WE HAVE INCURRED, AND MAY CONTINUE TO INCUR, SIGNIFICANT OPERATING LOSSES.

We incurred significant losses from operations during each of the past three years. We cannot assure you that we will be able to achieve or sustain revenue growth, profitability or positive cash flow on either a quarterly or annual basis or that profitability, if achieved, will be sustained. If we are unable to achieve or sustain profitability, we may not be financially viable in the future and may have to curtail, suspend or cease additional operations.

IF WE ARE UNABLE TO REPAY OUR OUTSTANDING INDEBTEDNESS OBLIGATIONS WHEN DUE, OUR OPERATIONS MAY BE MATERIALLY ADVERSELY AFFECTED.

At December 31, 2003, we had an aggregate of $29,500 of indebtedness, $20,000 (plus an additional $3,414 of accrued interest at December 31, 2003) of which is secured by our stock of our principal operating subsidiary, Ladenburg, and matures on December 31, 2005. Although the holders of our secured indebtedness have agreed to forbear receiving interest on the debt until January 15, 2005 and recently agreed to convert such indebtedness into shares of our common stock, subject to shareholder

approval, there is a risk that our shareholders will not approve the conversion and the conversion will not occur. We cannot assure you that our operations will generate funds sufficient to repay our other existing debt obligations as they come due. Our failure to repay our indebtedness and make interest payments as required by our debt obligations could have a material adverse affect on our operations.

WE MAY INCUR SIGNIFICANT LOSSES FROM TRADING AND INVESTMENT ACTIVITIES DUE TO MARKET FLUCTUATIONS AND VOLATILITY.

We generally maintain trading and investment positions in the equity markets. To the extent that we own assets, i.e., have long positions, in those markets, a downturn in those markets 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, in any of those markets, an upturn in those markets could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market.

We may from time to time have a trading strategy consisting of holding a long position in one security and a short position in another security from which we expect to earn revenues based on changes in the relative value of the two securities. If, however, the relative value of the two securities changes in a direction or manner that we did not anticipate or against which we are not hedged, we might realize a loss in those paired positions. In addition, we maintain trading positions that can be adversely affected by the level of volatility in the financial markets, i.e., the degree to which trading prices fluctuate over a particular period, in a particular market, regardless of market levels.

WE MAY NEED TO RAISE ADDITIONAL FUNDS IN THE NEAR FUTURE.

Our capital requirements continue to be adversely affected by our inability to generate cash from operations. We have been forced to rely on borrowings in order to generate working capital for our operations. Accordingly, we may need to seek to raise additional capital through other available sources, including through equity offerings or borrowing additional funds on a short-term basis from third parties, including our current debtholders, shareholders and clearing broker. As of December 31, 2003, we had cash and cash equivalents of

approximately $3,648. Accordingly, if we continue to be unable to generate cash from operations and are unable to find sources of funding, it would have an adverse impact on our liquidity and operations.

OUR EXPENSES MAY INCREASE DUE TO UNRESOLVED REAL ESTATE COMMITMENTS.

Ladenburg Capital may have potential liability under a terminated lease for office space in New York City which it was forced to vacate during 2001 due to the events of September 11, 2001. Ladenburg Capital no longer occupies the space and believes it has no further lease obligation pursuant to the terms of the lease. This lease, which, had it not terminated as a result of the events of September 11, 2001, would have expired by its terms in March 2010, provides for future minimum payments aggregating approximately $4,335, payable $644 in 2004, $703 per year from 2005 through 2008 and $879 thereafter. Ladenburg Capital is currently in litigation with the landlord in which it is seeking judicial determination of the termination of the lease. If Ladenburg Capital is not successful in this litigation, it plans to sublease the property. Ladenburg Capital has provided for estimated costs in connection with this lease and has recorded a liability at December 31, 2003 and 2002. Additional costs may be incurred in connection with terminating this lease, or if not terminated, to the extent of foregone rental income in the event Ladenburg Capital does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg Capital's financial position and liquidity.

In May 2003, Ladenburg relocated approximately 95 of its employees from its New York City office to its Melville, New York office. As a result of this move, Ladenburg ceased using one of the several floors it occupies in its New York City office, and the net book value of the leasehold improvements was written off. In accordance with SFAS No. 146, as estimated future sublease payments that could be reasonably obtained for the property exceed related rental commitments under the lease, no liability for costs associated with vacating the space has been provided. Additional costs may be incurred, to the extent of foregone rental income in the event Ladenburg does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg's financial position and liquidity.

OUR BUSINESS COULD BE ADVERSELY AFFECTED BY A BREAKDOWN IN THE FINANCIAL MARKETS.

As a securities broker-dealer, our business is materially affected by conditions in the financial markets and economic conditions generally, both in the United States and elsewhere around the world. Many factors or events could lead to a breakdown in the financial markets including war, terrorism, natural catastrophes and other types of disasters. These types of events could cause people to begin to lose confidence in the financial markets and their ability to function effectively. If the financial markets are unable to effectively prepare for these types of events and ease public concern over their ability to function, our revenues are likely to decline and our operations will be adversely affected.

OUR REVENUES MAY DECLINE IN ADVERSE MARKET OR ECONOMIC CONDITIONS.

During the past several years, unfavorable financial and economic conditions have reduced the number and size of the transactions in which we provide underwriting services, merger and acquisition consulting and other services. Our investment banking revenues, in the form of financial advisory and underwriting fees, are directly related to the number and size of the transactions in which we participate and therefore have been adversely affected by the sustained downturn in the securities markets that prevailed through the middle of 2003. Additionally, the downturn in market conditions led to a decline in the volume of transactions that we executed for our customers and, therefore, to a decline in the revenues we received from commissions and spreads. If these adverse financial and economic conditions return and persist for any extended period of time, we will incur a further decline in transactions and revenues that we receive from commissions and spreads.

WE DEPEND ON OUR SENIOR EMPLOYEES AND THE LOSS OF THEIR SERVICES COULD HARM OUR BUSINESS.

Our success is dependent in large part upon the services of several of our senior executives and employees, including those of Ladenburg. We do not maintain and do not intend to obtain key man insurance on the life of any executive or employee. If our senior executives or employees terminate their employment with us and we are unable to find suitable replacements in relatively short periods of time, our operations may be materially and adversely affected.

WE FACE SIGNIFICANT COMPETITION FOR PROFESSIONAL EMPLOYEES.

From time to time, individuals we employ may choose to leave our company to pursue other opportunities. We have experienced losses of registered representatives, trading and investment banking professionals in the past, and the level of competition for key personnel remains intense. We cannot assure you that the loss of key personnel will not occur again in the future. The loss of a registered representative or a trading or investment banking professional, particularly a senior professional with a broad range of contacts in an industry, could materially and adversely affect our operating results.

OUR PRINCIPAL SHAREHOLDERS INCLUDING OUR DIRECTORS AND OFFICERS CONTROL A LARGE PERCENTAGE OF OUR SHARES OF COMMON STOCK AND CAN SIGNIFICANTLY INFLUENCE OUR CORPORATE ACTIONS.

At the present time, our executive officers, directors and companies that these individuals are affiliated with beneficially own approximately 22.0% of our common stock. Accordingly, these individuals and entities will be able to significantly influence most, if not all, of our corporate actions, including the election of directors and the appointment of officers. Additionally, this ownership of our common stock may make it difficult for a third party to acquire control of us, therefore possibly discouraging third parties from seeking to acquire us. A third party would have to negotiate any possible transactions with these principal shareholders, and their interests may be different from the interests of our other shareholders. This may depress the price of our common stock.

THE AMERICAN STOCK EXCHANGE MAY DELIST OUR COMMON STOCK FROM QUOTATION ON ITS EXCHANGE.

Our common stock is currently quoted on the American Stock Exchange ("Exchange"). In order to continue quotation of our common stock, we must maintain certain financial, distribution and stock price levels. Generally, we must maintain a minimum amount in shareholders' equity (usually between $2 million and $4 million) and a minimum number of public shareholders (usually 300 shareholders or 200,000 shares held by our non-affiliates). Additionally, our common stock cannot have what is deemed to be a "low selling price" as determined by the Exchange.

In November 2003, we received notice from the Exchange indicating that we were below certain of the continued listing standards of the Exchange, specifically that we had sustained losses in two of its three most recent fiscal years with shareholders' equity of less than $2 million, as set forth in Section 1003(a)(i) of the Exchange's Company Guide. We were afforded an opportunity to submit our plan to regain compliance with the continued listing standards to the Exchange and did so in December 2003. Upon acceptance of the plan, the Exchange provided us with the extension until May 13, 2005 to regain compliance and will allow us to maintain our listing on the Exchange through the plan period, subject to periodic review of our progress by the Exchange's staff. If we do not make progress consistent with the plan or regain compliance with the continued listing standards by the end of the extension period, the Exchange could initiate delisting procedures.

Additionally, on March 29, 2004, the last reported sale price of our common stock was $0.91. If the Exchange determines that this is a "low selling price," it may require us to effect a reverse split or suspend or remove our common stock from listing on the Exchange. In determining whether a reverse split or suspension or removal is appropriate, the Exchange will consider all pertinent factors including market conditions in general, the number of shares outstanding, plans which may have been formulated by management, applicable regulations of the state or country of incorporation or of any governmental agency having jurisdiction over the company and the relationship to other Exchange policies regarding continued listing.

If the Exchange delists our common stock from trading on its exchange, we could face significant material adverse consequences including:

- a limited availability of market quotations for our common stock;
- a determination that our common stock is a "penny stock" which will require brokers trading in our common stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

WE MAY LOSE CUSTOMERS AND OUR REVENUES MAY DECLINE DUE TO OUR LACK OF INTERNET BROKERAGE SERVICE CAPABILITY.

A growing number of brokerage firms offer Internet brokerage services to their customers in response to increased customer demand for these services. While we intend to offer Internet brokerage services in the future, we may not be able to offer services that will appeal to our current or prospective customers and these services may not be profitable. Our failure to commence Internet brokerage services in the near future could have a material adverse effect on our business including the loss of our existing customers to competitors that do offer these services. Additionally, if we commence Internet brokerage services but are unable to attract customers for those services, our revenues will decline.

WE RELY ON ONE PRIMARY CLEARING BROKER AND THE TERMINATION OF THE AGREEMENT WITH THIS CLEARING BROKER COULD DISRUPT OUR BUSINESS.

Ladenburg primarily uses one clearing broker to process its securities transactions and maintain customer accounts on a fee basis. The clearing broker also provides billing services, extends credit and provides for control and

receipt, custody and delivery of securities. In November 2002, we completed the Clearing Conversion and renegotiated our clearing agreement with this clearing broker. In addition, under the new clearing agreement, an affiliate of the clearing broker provided us with the Clearing Loans, aggregating to $3,500, with various terms and maturing at various dates through December 2006. As scheduled, in November 2003, $1,500 of the Clearing Loans was forgiven. The remaining principal balance of the Clearing Loans is scheduled to be forgiven as follows: $667 in November 2004, $667 in November 2005 and $666 in November 2006. Upon the forgiveness of the Clearing Loans, the forgiven amount is accounted for as other revenue. However, if the clearing agreement is terminated for any reason prior to the loan maturity date, the loan, less any amount that has been forgiven through the date of the termination, plus interest, must be repaid on demand.

Ladenburg depends on the operational capacity and ability of the clearing broker for the orderly processing of transactions. In addition, by engaging the processing services of a clearing firm, Ladenburg is exempt from some capital reserve requirements and other regulatory requirements imposed by federal and state securities laws. If the clearing agreement is terminated for any reason, we would be forced to find an alternative clearing firm. We cannot assure you that we would be able to find an alternative clearing firm on acceptable terms to us or at all.

OUR CLEARING BROKER EXTENDS CREDIT TO OUR CLIENTS AND WE ARE LIABLE IF THE CLIENTS DO NOT PAY.

Ladenburg permits its clients to purchase securities on a margin basis or sell securities short, which means that the clearing firm extends credit to the client secured by cash and securities in the clients' account. During periods of volatile markets, the value of the collateral held by the clearing broker could 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. Ladenburg has agreed to indemnify the clearing broker for losses it may incur while extending credit to its clients.

WE ARE SUBJECT TO VARIOUS RISKS ASSOCIATED WITH THE SECURITIES INDUSTRY.

As a securities broker-dealer, Ladenburg is subject to uncertainties that are common in the securities industry. These uncertainties include:

- the volatility of domestic and international financial, bond and stock markets, as demonstrated by recent disruptions in the financial markets;
- extensive governmental regulation;
- litigation;
- intense competition;
- 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 volume, profitability is impaired because certain expenses remain relatively fixed. Ladenburg is much smaller and has much less capital than many 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.

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 the use of observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible by us. 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.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. We believe that we effectively evaluate and manage the market, credit and other risks to which we are exposed. 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. The consequences of these developments can include losses due to adverse changes in inventory values, decreases in the liquidity of trading positions, higher volatility in earnings, increases in our credit risk to customers as well as to third parties and increases in general systemic risk.

CREDIT RISK EXPOSES US TO LOSSES CAUSED BY FINANCIAL OR OTHER PROBLEMS EXPERIENCED BY THIRD PARTIES.

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;
- 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 and perhaps our ability to borrow in the credit markets.

INTENSE COMPETITION FROM EXISTING AND NEW ENTITIES MAY ADVERSELY AFFECT OUR REVENUES AND PROFITABILITY.

The securities industry is rapidly evolving, intensely competitive and has few barriers to entry. 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 offer a wider range of services and financial products than we do and have greater name recognition and a larger client base. 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 promotional activities, offer more attractive terms to clients, 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.

THE PRECAUTIONS WE TAKE TO PREVENT AND DETECT EMPLOYEE MISCONDUCT MAY NOT BE EFFECTIVE AND WE COULD BE EXPOSED TO UNKNOWN AND UNMANAGED RISKS OR LOSSES.

We run the risk that employee misconduct could occur. Misconduct by employees could include:

- employees binding us to transactions that exceed authorized limits or present unacceptable risks to us;
- employees hiding unauthorized or unsuccessful activities from us; or
- the improper use of confidential information.

These types of misconduct could result in unknown and unmanaged risks or losses to us including regulatory sanctions and serious harm to our reputation. The precautions we take to prevent and detect these activities may not be effective. If employee misconduct does occur, our business operations could be materially adversely affected.

WE ARE CURRENTLY SUBJECT TO EXTENSIVE SECURITIES 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 the NYSE, the NASD and the Municipal Securities Rulemaking Board.

Ladenburg is a registered broker-dealer with the SEC and a member firm of the NYSE. 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; and
- the conduct of directors, officers and employees.

Much of the regulation of broker-dealers has been delegated to self-regulatory organizations, principally the NASD Regulation, Inc., the regulatory arm of the NASD, and the NYSE, which are our primary regulatory agencies. NASD Regulation and the NYSE adopt rules, subject to approval by the SEC, that govern its members and conducts periodic examinations of member firms' operations.

Compliance with many of the regulations applicable to us 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. If we are found to have violated an applicable regulation, administrative or judicial proceedings may be initiated against us that may result in:

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

The imposition of any of these or other penalties could have a material adverse effect on our operating results and financial condition.

The regulatory environment is also subject to change. 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.

FAILURE TO COMPLY WITH NET CAPITAL REQUIREMENTS COULD SUBJECT US TO SUSPENSION OR REVOCATION BY THE SEC OR SUSPENSION OR EXPULSION BY THE NASD AND THE NYSE.

Ladenburg is subject to the SEC's net capital rule which requires the maintenance of minimum net capital. We compute net capital under the alternate method permitted by the net capital rule. Under this method, Ladenburg is required to maintain net capital equal to $250. 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. Additionally, the regulations require that certain assets, such as a broker-dealer's position in securities, be valued in a conservative manner so as to avoid over-inflation of the broker-dealer's net capital. The net capital rule requires that a broker-dealer maintain a certain minimum level of net capital. The particular levels vary in application 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. The NASD and the NYSE 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 deficiency in net capital, the NASD may immediately restrict or suspend certain or all of the activities of a broker-dealer, including its ability to make markets. Ladenburg may not be able to maintain adequate net capital, or its 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 OF LOSSES ASSOCIATED WITH SECURITIES LAWS VIOLATIONS AND LITIGATION.

Many aspects of our business involve substantial risks of liability. An underwriter is exposed to substantial liability under federal and state securities laws, other federal and state laws, and court decisions, including

decisions with respect to 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. In recent years, there has been an increasing incidence of litigation involving the securities industry, including class actions that seek substantial damages. Our underwriting activities will usually involve offerings of the securities of smaller companies, which often 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 companies' securities will be required to contribute to an adverse judgment or settlement of a securities lawsuit.

In the normal course of business, our operating subsidiaries have been and continue to be the subject of numerous civil actions and arbitrations arising out of customer complaints relating to our activities as a broker-dealer, as an employer and as a result of other business activities. In general, the cases involve various allegations that our employees had mishandled customer accounts. We believe that, based on our historical experience and the reserves established by us, the resolution of the claims presently pending will not have a material adverse effect on our financial condition. However, although we typically reserve an amount we believe will be sufficient to cover any damages assessed against us, we have in the past been assessed damages that exceeded our reserves. If we misjudged 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 financial condition may be materially adversely affected.

POSSIBLE ADDITIONAL ISSUANCES WILL CAUSE DILUTION.

While we currently have outstanding 43,627,130 shares of common stock, options to purchase a total of 5,453,030 shares of common stock, warrants to purchase a total of 200,000 shares of common stock and senior convertible promissory notes initially convertible into 11,296,746 shares of common stock, we are authorized to issue up to 200,000,000 shares of common stock and are therefore able to issue additional shares without being required under corporate law to obtain shareholder approval. If we issue additional shares, or if our existing shareholders exercise or convert their outstanding options or notes, our other shareholders may find their holdings drastically diluted, which if it occurs, means that they will own a smaller percentage of our company.

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 2,000,000 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.

ITEM 2. PROPERTIES.

Our principal executive offices and those of Ladenburg and other subsidiaries of ours are located at 590 Madison Avenue, 34th Floor, New York, New York 10022, where we lease approximately 82,000 square feet of office space pursuant to a lease that expires in June 2015. We also operate several branch offices located in New York, Florida and California. In January 2003, we closed our office in Cleveland, Ohio and in June 2003, we closed our office in Ft. Lauderdale, Florida.

Ladenburg Capital may have potential liability under a terminated lease for office space in New York City which it was forced to vacate during 2001 due to the events of September 11, 2001. Ladenburg Capital no longer occupies the space and believes it has no further lease obligation pursuant to the terms of the lease. This lease, which, had it not terminated as a result of the events of September 11, 2001, would have expired by its terms in March 2010, provides for future minimum payments aggregating approximately $4,335, payable $644 in 2004, $703 per year from 2005 through 2008 and $879 thereafter. Ladenburg Capital is currently in litigation with the landlord in which it is seeking judicial determination of the termination of the lease. If Ladenburg Capital is not successful in this litigation, it plans to sublease the property. Ladenburg Capital has provided for estimated costs in connection with this lease and has recorded a liability at December 31, 2003 and 2002. Additional costs may be incurred in connection with terminating this lease, or if not terminated, to the extent of foregone rental income in the event Ladenburg Capital does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg Capital's financial position and liquidity.

In December 2003, Ladenburg Capital terminated its lease obligations relating to the office it previously occupied in Bethpage, New York. As a result of its settlement with the Bethpage landlord, Ladenburg Capital adjusted its liability and a recorded a corresponding reduction in rent expense of $1,175 in the fourth quarter of 2003. This reduction in rent expense, less rent accrued in

previous quarters during 2003, resulted in a net credit of $200 for the fiscal year ended December 31, 2003.

Ladenburg ceased using one of the several floors it occupies in its New York City office and is currently seeking to sublet the property. In accordance with SFAS No. 146, Ladenburg's management evaluates Ladenburg's liability with respect to this space on a quarterly basis, taking into account estimated future sublease payments that could be reasonably obtained for the property. In these evaluations, Ladenburg's management concluded that a liability for this matter did not exist as of December 31, 2003. Additional costs may be incurred, to the extent of foregone rental income in the event Ladenburg does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg's financial position and liquidity.

ITEM 3. LEGAL PROCEEDINGS.

See Note 9 to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

On April 14, 2000, our common stock began trading on the Exchange under the symbol "GBC." On May 7, 2001, we changed our name to Ladenburg Thalmann Financial Services Inc. and on the same date our common stock began quotation on the Exchange under the symbol "LTS." The following table sets forth the high and low prices of the common stock for the periods specified.

		HIGH($)	LOW($)
2004			
	First Quarter*	1.10	0.50
2003			
	Fourth Quarter	0.67	0.32
	Third Quarter	0.43	0.22
	Second Quarter	0.28	0.05
	First Quarter	0.12	0.05
2002			
	Fourth Quarter	0.23	0.09
	Third Quarter	0.35	0.13
	Second Quarter	0.96	0.30
	First Quarter	1.00	0.57

*Through March 29, 2004.

HOLDERS

On March 29, 2004, there were approximately 13,300 holders of record of our common stock.

DIVIDENDS

To date, we have not paid or declared any dividends on our common stock. The payment of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, operating results, current anticipated cash needs as well as any other factors that the board of directors may deem relevant. Our ability to pay dividends in the future also may be restricted by our operating subsidiaries' obligations to comply with the net capital requirements imposed on broker-dealers by the SEC and the NASD. We do not intend to declare any dividends in the foreseeable future, but instead intend on retaining all earnings for use in our business.

RECENT SALES OF UNREGISTERED SECURITIES

On December 17, 2003, we issued ten-year options to various employees to purchase an aggregate of 1,138,550 at $0.45 per share. The options vest in three equal annual installments commencing on the first anniversary of the date of grant. This transaction was effected in reliance on exemptions from registration afforded by Section 4(2) of the Securities Act of 1933, as amended.

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data set forth below is derived from our audited financial statements. This selected financial data should be read in conjunction with the section under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K:

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	2003	2002	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
OPERATING RESULTS: (a)					
Total revenues	$ 61,397	$ 79,573	$ 93,953	$ 89,584	$ 77,171
Total expenses	66,665	125,025	106,202	83,372	74,107
(Loss) income before income taxes	(5,420)	(44,993)	(12,249)	6,212	3,064
Net (loss) income	(5,490)	(46,393)	(12,293)	5,090	4,006
Per common and equivalent share(b):					
Basic and diluted:					
(Loss) income per Common Share	$ (0.13)	$ (1.10)	$ (0.31)	$ 0.15	$ 0.12
Basic and diluted weighted average Common Shares (b)	42,567,798	42,025,211	39,458,057	34,647,170	34,647,170
BALANCE SHEET DATA:					
Total assets	$ 44,232	$ 48,829	$ 98,407	$ 50,354	$ 49,139
Total liabilities, excluding subordinated liabilities	34,768	32,620	40,713	20,054	23,930
Subordinated debt	22,500	22,500	22,500	--	--
Shareholders' equity (capital deficit)	(16,172)	(10,894)	35,194	30,300	25,209
OTHER DATA:					
Ratio of assets to shareholders' equity	N/A	N/A	2.80	1.66	1.95
Return on average equity	(40.6)%	(381.8)%	(38.0)%	18.3%	20.0%
Return on average equity before income taxes	(40.1)%	(370.3)%	(37.5)%	22.4%	15.3%
Book value per share (b)	--	--	$ 0.84	$ 1.67	$ 1.39
Average registered representatives	196	399	540	250	171

</TABLE>

(a) The financial data prior to May 7, 2001 reflects Ladenburg's financial results and the financial data afterwards reflects Ladenburg Thalmann Financial Services' financial results.

(b) All per share data prior to May 7, 2001 have been retroactively adjusted to reflect the number of equivalent shares received by the former stockholders of Ladenburg in the form of common stock, convertible notes and cash.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

INTRODUCTION

We are engaged in retail and institutional securities brokerage, investment banking services and proprietary trading through our principal operating subsidiary, Ladenburg. Ladenburg is a full service broker-dealer that has been a member of the NYSE since 1879. It provides its services principally for middle market and emerging growth companies and high net worth individuals through a coordinated effort among corporate finance, capital markets, investment management, brokerage and trading professionals. Ladenburg is subject to regulation by, among others, the SEC, the NYSE and the NASD and is a member of the SIPC. Ladenburg currently has 179 registered representatives and 158 other full time employees. Its private client services and institutional sales departments serve approximately 70,000 accounts nationwide and its asset management area provides investment management and financial planning services to numerous individuals and institutions.

Our consolidated financial statements include our accounts and the

accounts of our wholly-owned subsidiaries. Our subsidiaries include, among others, Ladenburg, Ladenburg Capital, Ladenburg Thalmann Europe, Ltd. and Ladenburg Capital Fund Management Inc.

Ladenburg Capital Fund Management ("LCFM") is the sole general partner of the Ladenburg Focus Fund, L.P., an open-ended private investment fund that invests its capital in publicly traded equity securities and options strategies. Through December 31, 2002, the Company accounted for its investment in the limited partnership using the equity method. Commencing in 2003, due to the controlling voting interest of LCFM, the accounts of the limited partnership were consolidated with the Company's accounts. In addition, the prior year financial statements were adjusted to reflect the consolidation of the limited partnership. This adjustment had no effect on the capital deficit at December 31, 2002, or the net loss for the year then ended, as previously reported. In addition, certain reclassifications have been made to prior period financial information to conform to the current period presentation.

Prior to May 7, 2001, Ladenburg Capital and Ladenburg Capital Fund Management were our only operating subsidiaries. On May 7, 2001, we acquired all of the outstanding common stock of Ladenburg, and we changed our name from GBI Capital Management Corp. to Ladenburg Thalmann Financial Services Inc. As part of the consideration for the shares of Ladenburg, we issued the former stockholders of Ladenburg a majority interest in our common stock. For accounting purposes, the acquisition has been accounted for as a reverse acquisition. Under reverse acquisition accounting, we were treated as the acquired entity as Ladenburg's former stockholders held a majority of our common stock following the transaction. As a result, our operating results were included as of May 7, 2001, the date of the acquisition, with the historical financial statements of Ladenburg. As appropriate, in the discussion of operating results, increases in reported revenues and expenses as a result of the acquired operations of Ladenburg Thalmann Financial Services Inc. will be referred to as the "Ladenburg Capital operations." In connection with the acquisition, all per share data has been restated to reflect retroactively the number of shares of common stock, convertible notes and cash received by the former stockholders of Ladenburg. For additional information concerning this transaction, see Note 3 to our consolidated financial statements and Item 13 included in this report.

RECENT DEVELOPMENTS

EXECUTIVE CHANGES. On March 9, 2004, we entered into a Severance, Waiver and Release Agreement with Victor M. Rivas, our president and chief executive officer. Under the Severance Agreement, effective March 31, 2004, Mr. Rivas will retire from all of his positions with us and our subsidiaries including Ladenburg. In connection with Mr. Rivas' retirement, we entered into an Employment Agreement with Charles I. Johnston pursuant to which Mr. Johnston will serve, effective April 1, 2004, as president, chief executive officer and a member of our board and chairman and chief executive officer of Ladenburg. Most recently, Mr. Johnston was a managing director and the global head of private client services at Lehman Brothers where he was responsible for all aspects of Lehman's private client services business which included 440 brokers in 14 branches.

DEBT CONVERSION. On March 29, 2004, we entered into an agreement with New Valley Corporation and Frost-Nevada Investments Trust, the holders of our outstanding $18,010 aggregate principal amount of senior convertible promissory notes, pursuant to which such parties agreed to convert their notes and accrued interest into common stock, subject to shareholder approval. Pursuant to the agreement, New Valley and Frost Nevada will convert their notes into approximately 26,000,000 shares of common stock at reduced conversion prices of $1.10 per share and $0.70 per share, respectively. The agreement is subject to, among other things, approval by our shareholders at a special meeting that is expected to be held in the second quarter of 2004. As a result of the conversion, New Valley and Frost-Nevada will beneficially own approximately 12.5% and 27.6%, respectively, of our common stock. Concurrently with this agreement, we entered into an agreement with Berliner, the holder of the remaining $1,990 aggregate principal amount of senior convertible promissory notes, pursuant to which we will repurchase the notes held by Berliner, plus all accrued interest thereon, for $1,000 in cash.

We currently anticipate recording a pre-tax charge in 2004 of approximately $10,900 in our statements of operations upon closing of these transactions. The charge reflects expense attributable to the reduction in the conversion price of the notes to be converted, offset partially by the gain on the repurchase of the Berliner notes. The net balance sheet effect of the transactions will be an increase in our shareholders' equity of approximately $22,900.

RENEGOTIATION OF CLEARING AGREEMENT. In November 2002, we renegotiated our clearing agreement with one of our clearing brokers whereby this clearing broker became our primary clearing broker, clearing substantially all of our business ("Clearing Conversion"). As part of the new agreement with this clearing agent, we are realizing significant cost savings from reduced ticket charges and other incentives. In addition, under the new clearing agreement, an affiliate of the clearing broker loaned us the an aggregate of $3,500 (the "Clearing Loans') in December 2002. The Clearing Loans and related accrued interest are forgivable over various periods, up to four years from the date of the Clearing Conversion, provided we continue to clear our transactions through our primary clearing broker. As scheduled, in November 2003, $1,500 of the Clearing Loans was forgiven. The remaining principal balance of the Clearing Loans is scheduled to be forgiven as follows: $667 in November 2004, $667 in November 2005 and $666 in November 2006. Upon the forgiveness of the Clearing Loans, the forgiven amount is accounted for as other revenues. However, if the clearing agreement is terminated for any reason prior to the loan maturity date,

the loan, less any amount that has been forgiven through the date of the termination, plus interest, must be repaid on demand.

LADENBURG CAPITAL MANAGEMENT. From August 1999 through November 2002, Ladenburg Capital was one of our principal operating subsidiaries in the securities brokerage industry. Ladenburg Capital previously operated as a broker-dealer subject to regulation by the SEC and the NASD. Ladenburg Capital acted as an introducing broker, market maker, underwriter and trader for its own account. In July 2002, the market making activities of Ladenburg Capital were terminated. Certain employees working in Ladenburg Capital's market making area were offered employment with Ladenburg. In November 2002, Ladenburg Capital terminated its remaining broker-dealer operations but continued with its other line of business. Ladenburg Capital voluntarily filed at that time to withdraw as a broker-dealer, which withdrawal became effective in January 2004. In conjunction with providing employment to certain former Ladenburg Capital brokers, Ladenburg agreed to and is currently servicing these brokers' customer accounts.

LITIGATION. On May 5, 2003, a suit was filed in the U.S. District Court for the Southern District of New York by Sedona Corporation against Ladenburg, former employees of the Ladenburg, Pershing LLC and a number of other firms and individuals. The plaintiff alleges, among other things, that certain defendants (not Ladenburg) purchased convertible securities from plaintiff and then allegedly manipulated the market to obtain an increased number of shares from the conversion of those securities. Ladenburg acted as placement agent and not as principal in those transactions. Plaintiff has alleged that Ladenburg and the other defendants violated federal securities laws and various state laws. The plaintiff seeks compensatory damages from the defendants of at least $660,000 and punitive damages of $2,000,000. Our motion to dismiss the lawsuit is currently pending. We believe the plaintiffs' claims in this action are without merit and intend to vigorously defend against them.

In October 2003, an arbitration panel awarded $1,100 in a customer arbitration. Although we have increased our reserves to reflect this award, we have moved in court to vacate this award. The motion to vacate is currently pending. We have several other various pending arbitrations claiming substantial amounts of damages, including one which is seeking compensatory damages of $6,000.

EMPLOYEE STOCK PURCHASE PLAN. In November 2002, our shareholders approved the Ladenburg Thalmann Financial Services Inc. Employee Stock Purchase Plan (the "Plan"), under which a total of 5,000,000 shares of common stock are available for issuance. Under this stock purchase plan, as currently administered by the compensation committee, all full-time employees may use a portion of their salary to acquire shares of our common stock. Option periods have been initially set at three months long 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 became effective November 6, 2002 and the first option period commenced April 1, 2003. During the year ended December 31, 2003, 1,601,919 shares of our common stock were issued to employees under the Plan, at an average price of $.1325 per share, resulting in a capital contribution of $212.

CLOSING OF BRANCH OFFICES. In January 2003, we closed our Cleveland, Ohio retail sales office. Additionally, in June 2003, we closed our Ft. Lauderdale office, which constituted all of our market making activities. As a result of our decision to eliminate our market making activities, our minimum net capital requirement decreased from $1,000 to $250.

WRITE-OFF OF LEASEHOLD IMPROVEMENTS. In May 2003, Ladenburg relocated approximately 95 of its employees from its New York City office to its Melville, New York office. As a result of this move, Ladenburg ceased using one of the several floors it occupies in its New York City office, and the net book value of the leasehold improvements was written off. In conjunction with the write-off of these leasehold improvements, the unamortized deferred rent credit representing reimbursement from the landlord of such leasehold improvements was also written-off. The write-off of unamortized leasehold improvements of $1,592, net of the unamortized deferred rent credit of $813, resulted in a net charge to operations of $779 during 2003.

CRITICAL ACCOUNTING POLICIES

GENERAL. The preparation of financial statements in conformity with generally accepted accounting principles 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.

CLEARING ARRANGEMENTS. Ladenburg does not carry accounts for customers or perform custodial functions related to customers' securities. Ladenburg introduces all of its customer transactions, which are not reflected in these financial statements, to its primary clearing broker, which maintains the customers' accounts and clears such transactions. Additionally, the primary clearing broker provides the clearing and depository operations for Ladenburg's proprietary securities transactions. These activities may expose Ladenburg to off-balance-sheet risk in the event that customers do not fulfill their obligations with the

primary clearing broker, as Ladenburg has agreed to indemnify its primary clearing broker 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 consultants, of $184 and $233 for the years ended December 31, 2003 and 2002, respectively.

CUSTOMER CLAIMS. In the normal course of business, our operating subsidiaries have been and continue to be the subject of numerous civil actions and arbitrations arising out of customer complaints relating to our activities as a broker-dealer, as an employer and as a result of other business activities. In general, in addition to the litigation with the landlord discussed below, the cases involve various allegations that our employees 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 have accrued $4,999 and $6,201 for potential arbitration and lawsuit losses as of December 31, 2003 and 2002, respectively. However, we have in the past been assessed damages that exceeded our reserves. If we misjudged 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 would be reduced. Such costs may have a material adverse effect on our future financial position, results of operations or liquidity.

SEPTEMBER 11, 2001 EVENTS. On September 11, 2001, terrorists attacked the World Trade Center complex in New York, which subsequently collapsed and damaged surrounding buildings, including one occupied by a branch office of Ladenburg Capital. These events resulted in the suspension of trading of U.S. equity securities for four business days and precipitated the relocation of approximately 180 employees to Ladenburg's mid-town New York headquarters. Some of Ladenburg's and Ladenburg Capital's business was temporarily disrupted. We are insured for loss caused by physical damage to property, including repair or replacement of property. We are also insured for lost profits due to business interruption, including costs related to lack of access to facilities. We will record future reimbursements from insurance proceeds related to certain September 11, 2001 expenses when the reimbursements are actually received. Although the claim to the insurance carrier is significantly greater, the net book value of the lost property, as well as the costs incurred to temporarily replace some of the lost property, has been recorded as a receivable as of December 31, 2003. We received insurance proceeds of $150 in July 2002 representing an advance relating to damaged property, which was applied against our receivable. The receivable balance as of December 31, 2003, representing the net book value of the damaged property and subsequent construction costs, was $2,118. In October 2003, we filed a Proof of Loss with the insurance carrier, for an amount in excess of the policy limits of approximately $7,800. There are no assurances, however, that we will recover the full amount of insurance available to Ladenburg and Ladenburg Capital as a result of this claim.

Ladenburg Capital is currently in litigation with its landlord seeking a declaratory judgment that the lease in this building near the World Trade Center be deemed terminated because, among other things, the premises were unsafe and uninhabitable for a period of 270 days after September 11, 2001, pursuant to a lease provision giving Ladenburg Capital the right to terminate in those circumstances. We believe that Ladenburg Capital will prevail and intend to pursue this claim vigorously. However, in the event that Ladenburg Capital does not prevail, it may incur additional future expenses to terminate the long-term commitment or, to the extent of foregone rental income in the event Ladenburg Capital does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg Capital's financial position and liquidity.

EXIT OR DISPOSAL ACTIVITY. During the fourth quarter of 2002, we early adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". Under SFAS No. 146, a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the

period in which the liability is incurred. For operating leases, a liability for costs that will continue to be incurred under the lease for its remaining term without economic benefit to the entity shall be recognized and measured at its fair value when the entity ceases using the right conveyed by the lease (the "cease-use date"). The fair value of the liability at the "cease-use date" shall be determined based on the remaining lease rentals, reduced by estimated sublease rentals that could be reasonably obtained for the property.

In May 2003, Ladenburg relocated approximately 95 of its employees from its New York City office to its Melville, New York office. As a result of this move, Ladenburg ceased using one of the several floors it occupies in its New York City office, and the net book value of the leasehold improvements was written off. In accordance with SFAS No. 146, as estimated future sublease payments that could be reasonably obtained for the property exceed related rental commitments under the lease, no liability for costs associated with vacating the space has been provided. Additional costs may be incurred, to the extent of foregone rental income in the event Ladenburg does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg's financial position and liquidity.

FAIR VALUE. "Trading securities owned" and "Securities sold, but not yet purchased" on our consolidated statements of financial condition are carried

at fair value or amounts that approximate 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.

IMPAIRMENT OF GOODWILL. On January 1, 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets," and were required to analyze our goodwill for impairment issues on January 1, 2002 and on a periodic basis thereafter. In connection with the reporting of results for the second quarter of 2002, based on the overall declines in the U.S. equity markets and the conditions prevailing in the broker-dealer industry, we engaged an independent appraisal firm to value our goodwill as of June 30, 2002. Based on this valuation, an impairment charge of $18,762 of goodwill was indicated and recorded in September 2002. The goodwill was generated in the Ladenburg acquisition in May 2001, and the charge reflected overall market declines since the acquisition. See Note 2 to our consolidated financial statements for a discussion of the adoption of SFAS No. 142.

VALUATION OF DEFERRED TAX ASSETS. We account for taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which requires the recognition of tax benefits or expense on the timing differences between the tax basis and book basis of its assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those timing differences are expected to be recovered or settled. Deferred tax amounts as of December 31, 2003, which consist principally of the tax benefit of net operating loss carryforwards

and accrued expenses, amount to $20,598. After consideration of all the evidence, both positive and negative, especially the fact we have sustained operating losses during 2002 and 2003 and that we continue to be affected by conditions in the economy, we have determined that a valuation allowance at December 31, 2003 was necessary to fully offset the deferred tax assets based on the likelihood of future realization. At December 31, 2003, we had net operating loss carryforwards of approximately $35,100, expiring in various years from 2015 through 2024, of which approximately $116 are subject to restrictions on utilization.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Our revenues for 2003 decreased $18,176 from 2002 primarily as a result of decreased commissions of $7,420, decreased net principal transactions of $5,432, decreased investment banking fees of $6,337, net of increased other revenues of 1,905. Our revenues were adversely affected by the decrease in our number of registered representatives in 2003 versus 2002.

Our expenses for 2003 decreased $58,360 from 2002 primarily as a result of the $18,762 impairment of goodwill in 2002, decreased compensation and benefits of $16,205, decreased brokerage, communication and clearance fees of $9,471, and decreased other expenses of $7,570.

Our revenues for 2003 consisted of commissions of $42,376, net principal transactions of $5,159, investment banking fees of $2,804, investment advisory fees of $2,459, interest and dividends of $1,773, syndicate and underwriting income of $251 and other income of $6,575. Our revenues for 2002 consisted of commissions of $49,796, net principal transactions of $10,591, investment banking fees of $9,141, investment advisory fees of $2,736, interest and dividends of $2,381, syndicating and underwriting income of $258 and other income of $4,670. Our expenses for 2003 consisted of compensation and benefits of $40,671, write-off of leasehold improvements of $779 and various other expenses of $25,215. Our expenses for 2002 consisted of compensation and benefits of $56,876, impairment of goodwill of $18,762, write-off of furniture, fixtures and leasehold improvements of $1,394 and other expenses of $47,993.

The $7,420 (14.9%) decrease in commission income was primarily a result of a decrease in the number of registered representatives we employed during 2003 compared to 2002. We employed 172 registered representatives as of December 31, 2003 versus 239 as of December 31, 2002.

The $5,432 (51.3%) decrease in net principal transactions was primarily the result of decreases in trading income of $3,979 in the 2003 period.

The $6,337 (69.3%) decrease in investment banking fees was primarily the result of decreased revenue from private placement and advisory assignments due to the decrease in capital markets activity in 2003 compared to 2002, as well as a reduction in the number of professional staff in the corporate finance area of the investment banking department, from 11 at December 31, 2002 to 8 at December 31, 2003.

The decrease in compensation expense of $16,205 (28.5%) was primarily due to the net decrease in revenues and various staff reductions in the third and fourth quarters of 2002 as well as the first and second quarters of 2003.

The decrease of $9,471 (64.3%) decrease in brokerage, communication and clearance fees is primarily due to the Clearing Conversion, the decrease in proprietary trading activities and the decreased amount of agency commission transactions in 2003 compared to 2002.

The $7,570 (52.3%) decrease in other expenses was primarily due to decreases in advertising, customer arbitration settlements, insurance premiums expense, license and registration fees, travel and valuation allowances relating to receivables.

In connection with the reporting of the results for the second quarter of 2002, based on the overall declines in the U.S. equity markets and the conditions prevailing in the broker-dealer industry, the Company completed an additional impairment review and recorded a $18,762 charge for the impairment of goodwill, which was generated in the Ladenburg acquisition. The charge reflected the overall market declines since the acquisition in May 2001. During this review, an independent appraisal firm was engaged to value the Company's goodwill as of June 30, 2002. The appraiser valued the businesses using a weighted average of each unit's projected discounted cash flow, with a weighted average cost of capital of 18.50%, and a fair market approach (using market comparables for ten companies). The appraiser weighted the discounted cash flow for each unit at 70% and the fair market approach at 30%. The discounted cash flow was based on management's revised projections of operating results at June 30, 2002. Based on this valuation, an impairment charge of $18,762 of goodwill was indicated and recorded for the second quarter of 2002.

In May 2003, Ladenburg relocated approximately 95 of its employees from its New York City office to its Melville, New York office. As a result, Ladenburg ceased using one of the several floors it occupies in its New York City office. In accordance with SFAS No. 146, we have evaluated our liability with respect to this space, taking into account estimated future lease payments that could be reasonably obtained for the property. In this evaluation, we concluded that the net book value of the leasehold improvements should be written-off. Accordingly, the unamortized deferred rent credit representing reimbursement from the landlord of such leasehold improvements was also written-off. During the second quarter of 2003, the write-off of leasehold improvements, net of accumulated amortization ($1,592) and the write-off of the unamortized deferred rent credit ($813) resulted in a net charge to operations of $779.

Income tax expense for 2003 was $70 compared to $1,400 in 2002. After consideration of all the evidence, both positive and negative, especially the fact we have sustained operating losses during 2002 and 2003 and that we continue to be affected by conditions in the economy, management determined that a valuation allowance at December 31, 2003 was necessary to fully offset the deferred tax assets based on the likelihood of future realization. The income tax rate for the 2003 and 2002 periods does not bear a customary relationship to effective tax rates as a result of unrecognized net operating losses, the change in valuation allowances, state and local income taxes and permanent differences.

YEAR ENDED DECEMBER 31, 2002 COMPARED TO YEAR ENDED DECEMBER 31, 2001

Our revenues for 2002 decreased $14,380 from 2001 primarily as a result of decreases in net principal transactions of $20,071 offset by an increase in commissions of $10,040. Our revenues were adversely affected by the overall declines in the U.S. equity markets and the continuing weak operating environment for the broker-dealer industry. For comparative purposes, the 2002 period includes revenues generated by the Ladenburg Capital operations for the full year while the 2001 period includes revenues generated by the Ladenburg Capital operations from May 7, 2001 to December 31, 2001.

Our expenses for 2002, exclusive of the $18,762 goodwill impairment charge, increased $61. The overall net increase includes an increase in rent and occupancy of $3,050, an increase in professional services of $1,899 and a net increase in various other expenses of $2,326, net of decreased employee compensation of $5,865 and decreased brokerage, communication and clearance fees of $1,349. For comparative purposes, the 2002 period includes expenses incurred by the Ladenburg Capital operations for the full year while the 2001 period includes expenses incurred by the Ladenburg Capital operations from May 7, 2001 to December 31, 2001.

Our revenues for 2002 consisted of commissions of $49,796, net principal transactions of $10,591, investment banking fees of $9,141, syndicate and underwriting income of $258, interest and dividends of $2,381, investment advisory fees of $2,736 and other income of $4,670. Our revenues for 2001 consisted of commissions of $39,756, net principal transactions of $30,662, investment banking fees of $11,698, syndicate and underwriting income of $652, interest and dividends of $4,100, investment advisory fees of $2,696 and other

income of $4,389. Our expenses for 2002 consisted of employee compensation and benefits of $56,876, impairment of goodwill of $18,762 and other expenses of $49,387. Our expenses for 2001 consisted of employee compensation and benefits of $62,741 and other expenses of $43,461.

The $10,040 (25.3%) increase in commissions was primarily the result of the impact of the acquired Ladenburg Capital operations, which provided additional commission income of $34,900 in 2002 versus $25,175 in the 2001 period.

The $2,557 (21.9%) decrease in investment banking fees was primarily the result of decreased revenue from private placement and advisory assignments due to the decrease in capital markets activity.

The $20,071 (65.5%) decrease in principal transactions was primarily the result of decreases in trading income of $14,662 in the 2002 period and a decrease in sales credits caused by the continued significant decline in the market for equity securities.

The decrease in compensation expense of $5,865 (9.3%) was primarily due to the net decrease in revenues.

As discussed above, in 2002, we recorded a $18,762 charge for the impairment of goodwill, which was generated in the acquisition of the Ladenburg Capital operations.

Income tax expense for 2002 was $1,400 compared to $44 in 2001. The income tax rate for 2002 did not bear a customary relationship to effective tax rates primarily as a result of an increase in the valuation allowance of $12,844, state and local taxes and permanent differences. The income tax rate for 2001 did not bear a customary relationship to effective tax rates primarily as a result of the establishment of a valuation allowance of $4,565, state and local taxes and permanent differences.

After consideration of all the evidence, both positive and negative, especially the fact we have sustained operating losses during 2001 and for the year ended December 31, 2002 and that we continue to be affected by conditions in the economy, management has determined that a valuation allowance at December 31, 2002 was necessary to offset the deferred tax assets based on the likelihood of future realization. Accordingly, during 2002, we increased our valuation allowance to fully offset the deferred tax assets based on the likelihood of future realization. In addition, the income tax rate for the 2002 and 2001 periods does not bear a customary relationship to effective tax rates as a result of state and local income tax expense and limitations on the utilization of net operating loss carrybacks.

LIQUIDITY AND CAPITAL RESOURCES

Approximately 58.7% of our assets at December 31, 2003 are highly liquid, consisting primarily of cash and cash equivalents, trading securities owned and receivables from clearing brokers, all of which fluctuate, depending upon the levels of customer business and trading activity. Receivables from broker-dealers, which are primarily from our primary clearing broker, turn over rapidly. As a securities dealer, we may carry significant levels of securities inventories to meet customer needs. 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, and proprietary trading strategies.

Ladenburg is subject to the net capital rules of the SEC. Therefore, it is subject to certain restrictions on the use of capital and its related liquidity. Ladenburg's regulatory net capital, as defined, of $6,745, exceeded minimum capital requirements of $250 by $6,495 at December 31, 2003. Failure to maintain the required net capital may subject Ladenburg to suspension or expulsion by the NYSE, the SEC

and other regulatory bodies and ultimately may require its 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 the operations of Ladenburg that requires the intensive use of capital, such as underwriting and trading activities, and also could restrict our ability to withdraw capital from it, which in turn, could limit our ability to pay dividends and repay and service our debt. In June 2003, we closed our Ft. Lauderdale office, which constituted all of our market making activities. As a result of our decision to eliminate our market making activities, effective June 13, 2003, our minimum net capital requirement decreased from $1,000 to $250.

Ladenburg, as guarantor of its customer accounts to its primary clearing broker, is exposed to off-balance-sheet risks in the event that its customers do not fulfill their obligations with the clearing broker. In addition, to the extent Ladenburg 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.

Net cash flows used in operating activities for the year ended December 31, 2003 were $6,254 as compared to $195 for the 2002 period. Cash used in operating activities increased to $6,254 for the year ended December 31, 2003 compared with $195 in the prior year. The increase was primarily due to an

increase in receivables from clearing brokers, of $9,867 in 2003 compared to a decrease of $16,542 in 2002, decreases of net operating assets of limited partnership of $1,406 in 2003 versus increases of net operating assets of limited partnership of $3,183 in 2002 and a decrease in income taxes receivable of $2,224 in 2003 versus an increase of $1,725 in 2002. These changes were offset by a $40,903 decrease in net loss and decreases of net trading securities owned of $6,204 in 2003 versus $1,773 in 2002. Non-cash charges in 2002 associated with the impairment of goodwill ($18,762), write-off of deferred tax assets ($3,339) and write-off of furniture, fixtures and leasehold improvements of $1,394 contributed significantly to the decrease in net loss of $46,393 in 2002 and $5,490 in 2003.

Net cash flows used in investing activities for the year ended December 31, 2003 were $434 compared to net cash flows provided by investing activities of $1,521 for the 2002 period. The difference is due to a decrease in purchases of furniture, equipment and leasehold improvements during the 2003 period.

There was $1,416 of cash flows used in financing activities for the year ended December 31, 2003, primarily representing $1,796 of distributions to limited partners of the Ladenburg Focus Fund. There was $5,332 of cash flows provided by financing activities for the year ended December 31, 2002 period, representing the issuance by us of $5,000 of promissory notes payable offset by the repayment of $2,000 of outstanding promissory notes payable and a decrease in the amount of collateral required under our letter of credit agreement with one of our landlords in the 2002 period.

We are obligated under several noncancellable lease agreements for office space, which provide for minimum lease payments, net of lease abatement and exclusive of escalation charges, of $4,526 in 2004 and approximately $5,126 per year until 2015. Such amounts exclude the lease referred to in the following paragraph. In addition, one of the leases obligates the Company to occupy additional space at the landlord's option, which may result in aggregate additional lease payments of up to $976 through June 2015.

Ladenburg Capital may have potential liability under a terminated lease for office space in New York City which it was forced to vacate during 2001 due to the events of September 11, 2001. Ladenburg Capital no longer occupies the space and believes it has no further lease obligation pursuant to the terms of the lease. This lease, which, had it not terminated as a result of the events of September 11, 2001, would have expired by its terms in March 2010, provides for future minimum payments aggregating approximately $4,335 payable $644 in 2004, $703 per year from 2005 through 2008 and $879 thereafter. Ladenburg Capital is currently in litigation with the landlord in which it is seeking judicial determination of the termination of the lease. If Ladenburg Capital is not successful in this litigation, it plans to sublease the property. Ladenburg Capital has provided for estimated costs in connection with this lease and has recorded a liability at December 31, 2003 and 2002. Additional costs may be incurred in connection with terminating this lease, or if not terminated, to the extent of foregone rental income in the event Ladenburg Capital does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg Capital's financial position and liquidity.

Ladenburg ceased using one of the several floors it occupies in its New York City office and is currently seeking to sublet the property. In accordance with SFAS No. 146, Ladenburg's management evaluates Ladenburg's liability with respect to this space on a quarterly basis, taking into account estimated future sublease payments that could be reasonably obtained for the property. In these evaluations, Ladenburg's management concluded that no liability for this lease was required to be recorded as of December 31, 2003. Additional costs may be incurred, to the extent of foregone rental income in the event Ladenburg does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg's financial position and liquidity.

In conjunction with the May 2001 acquisition of Ladenburg, we issued a total of $20,000 principal amount of senior convertible promissory notes due December 31, 2005 to New Valley Corporation, Berliner Effektengesellschaft AG and Frost-Nevada, Limited Partnership (which was subsequently assigned to Frost-Nevada Investments Trust). The $10,000 principal amount of notes issued to New Valley and Berliner, the former stockholders of Ladenburg, bear interest at 7.5% per annum, and the $10,000 principal amount of the note issued to Frost-Nevada bears interest at 8.5% per annum. The notes are currently convertible into a total of 11,296,746 shares of our common stock and are secured by a pledge of the stock of Ladenburg.

On August 31, 2001, we borrowed $1,000 from each of New Valley and Frost-Nevada in order to supplement the liquidity of our broker-dealer operations. The loans, which bore interest at 1% above the prime rate, were repaid in January 2002. On March 27, 2002, we borrowed $2,500 from New Valley. The loan, which bears interest at 1% above the prime rate, was due on the earlier of December 31, 2003 or the completion of one or more equity financings where we receive at least $5,000 in total proceeds. The terms of the loan restrict us from incurring or assuming any indebtedness that is not subordinated to the loan so long as the loan is outstanding. On July 16, 2002, we borrowed an additional $2,500 from New Valley (collectively, with the March 2002 Loan, the "2002 Loans") on the same terms as the March 2002 loan. In November 2002, New Valley agreed in connection with the Clearing Loans, to extend the maturity of the 2002 Loans to December 31, 2006 and to subordinate the 2002 Loans to the repayment of the Clearing Loans.

On June 28, 2002, New Valley, Berliner and Frost-Nevada agreed with us to forbear until May 15, 2003 payment of the interest due to them under the

senior convertible promissory notes held by these entities on the interest payment dates of the notes commencing June 30, 2002 through March 2003 (the "Forbearance Interest Payments"). On March 3, 2003, the holders of the senior convertible promissory notes agreed to extend the interest forbearance period to January 15, 2005 with respect to interest payments due through December 31, 2004. Interest on the deferred amounts accrues at 8% on the New Valley and Berliner notes and 9% on the Frost-Nevada Investments Trust note. We also agreed to apply any net proceeds from any subsequent public offerings to any such deferred amounts owed to the holders of the notes to the extent possible. As of December 31, 2003, accrued interest payments as to which a forbearance was received amounted to $3,414. As discussed above, in March 2004, the holders of our senior convertible promissory notes agreed to convert such notes into approximately 26,000,000 shares of common stock at reduced conversion prices ranging from $0.70 to $1.10 per share, subject to shareholder approval. Concurrently with this agreement, we entered into an agreement with Berliner, the holder of the remaining $1,990 aggregate principal amount of senior convertible promissory notes, pursuant to which we will repurchase the notes held by Berliner, plus all accrued interest thereon, for $1,000 in cash. We currently anticipate recording a pre-tax charge in 2004 of approximately $10,900 in our statements of operations upon closing of these transactions. The charge reflects expense attributable to the reduction in the conversion price of the notes to be converted, offset partially by the gain on the repurchase of the Berliner notes. The net balance sheet effect of the transactions will be an increase in our shareholders' equity of approximately $22,900. Notwithstanding the foregoing, we cannot assure you that our operations will generate funds sufficient to repay our other existing debt obligations as they come due. Our failure to repay our indebtedness and make interest payments as required by our debt obligations could have a material adverse affect on our operations.

On October 8, 2002, we borrowed an additional $2,000 from New Valley. The loan, which bore interest at 1% above the prime rate, matured on the earliest of December 31, 2002, the next business day after we received our federal income tax refund for the fiscal year ended September 30, 2002, and the next business day after we received the Clearing Loans in connection with the Clearing Conversion. This loan was repaid in December 2002 upon receipt of the Clearing Loans.

Ladenburg also has $2,500 outstanding under a junior subordinated revolving credit agreement with an affiliate of its primary clearing broker that matures on October 31, 2004, under which borrowings incur interest at LIBOR plus 2%.

In November 2002, we consummated the Clearing Conversion whereby we now clear substantially all of our business through one clearing agent, our primary clearing broker. As part of the new agreement with this clearing agent, we are realizing significant cost savings from reduced ticket charges and other incentives. In addition, under the new clearing agreement, an affiliate of the clearing broker loaned us the $3,500 of Clearing Loans. The Clearing Loans are forgivable over various periods, up to four years from the date of the Clearing Conversion. As scheduled, $1,500 of principal on the Clearing Loans was forgiven in November 2003. The remaining principal balance of the Clearing Loans is scheduled to be forgiven as follows: $667 in November 2004, $667 in November 2005 and $666 in November 2006. Upon the forgiveness of the Clearing Loans, the forgiven amount is accounted for as other revenues. However, if the clearing agreement is terminated for any reason prior to the loan maturity date, the loan, less any amount that has been forgiven through the date of the termination, plus interest, must be repaid on demand.

In December 2003, Ladenburg Capital settled its litigation with the landlord and terminated its obligation under a lease expiring in 2007 relating to office space in Bethpage, New York, which it vacated in 2002. As a result of its settlement with the Bethpage landlord, Ladenburg Capital adjusted its liability and recorded a corresponding reduction in rent expense of $1,175 in the fourth quarter of 2003. This reduction in rent expense, less rent accrued in previous quarters during 2003, amounted to a net credit of $200 for the fiscal year ended December 31, 2003.

In the normal course of business, our operating subsidiaries have been and continue to be the subject of numerous civil actions and arbitrations arising out of customer complaints relating to our activities as a broker-dealer, as an employer and as a result of other business activities. In general, the cases involve various allegations that our employees had mishandled customer accounts. We believe that, based on our historical experience and the reserves established by us, the resolution of the claims presently pending will not have a material adverse effect on our financial condition. However, although we typically reserve an amount we believe will be sufficient to cover any damages assessed against us, we have in the past been assessed damages that exceeded our reserves. If we misjudged 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 financial condition may be materially adversely affected.

Our liquidity position continues to be adversely affected by our inability to generate cash from operations. Accordingly, we have been forced to cut expenses as necessary. In order to accomplish this, we have implemented certain cost-cutting procedures throughout our operations including reducing the size of our workforce. Additionally, during the fourth quarter of 2002, in order to reduce future operating expenses, we terminated the operations of Ladenburg Capital and withdrew it as a broker-dealer. Ladenburg Capital filed at that time to withdraw as a broker-dealer, which withdrawal became effective in January 2004. Ladenburg has agreed to and is currently servicing the accounts of Ladenburg Capital and many of the employees of Ladenburg Capital were offered

and have accepted employment with Ladenburg. The termination of Ladenburg Capital's operations reduced support expenses, operating expenses and general administrative expenses.

Our overall capital and funding needs are continually reviewed to ensure that our liquidity and capital base can support the estimated needs of our business units. These reviews take into account business needs as well as regulatory capital requirements of the subsidiary. If, based on these reviews, it is determined that we require additional funds to support our liquidity and capital base, we would seek to raise additional capital through available sources, including through borrowing additional funds on a short-term basis from New Valley or from other parties, including our shareholders and clearing brokers. Additionally, we may seek to raise money through a rights offering or other type of financing. In May 2002, we filed a registration statement for a proposed $10,000 rights offering to the holders of our outstanding common stock, convertible notes, warrants and options in order to raise additional necessary working capital. However, on August 6, 2002, we announced that we had decided to postpone the rights offering due to market conditions. If additional funds were needed, we could attempt to consummate the rights offering, although we do not currently anticipate that a rights offering could be successfully completed absent a material improvement in market conditions and a significant increase in our stock price. In the circumstance where the rights offering were ultimately consummated, we would be required to use the proceeds of the proposed rights offering to repay the 2002 Loans as well as all accumulated Forbearance Interest Payments, to the extent possible. If we continue to be unable to generate cash from operations and are unable to find alternative sources of funding as described above, it would have an adverse impact on our liquidity and operations.

OFF-BALANCE SHEET ARRANGEMENTS

The table below summarizes information about our contractual obligations as of December 31, 2003 and the effects these obligations are expected to have on our liquidity and cash flow in the future years.

<TABLE>
<CAPTION>

Contractual Obligations	Payments Due By Period ($)				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
<S>	<C>	<C>	<C>	<C>	<C>
Long-Term Debt	29,500	2,500	27,000	--	--
Capital Lease Obligations	--	--	--	--	--
Operating Leases(1)	60,910	4,526	9,819	10,634	35,931
Employment Agreement Compensation(2)	878	698	180	--	--
Other Long-Term Liabilities Reflected on the Company's Balance Sheet under GAAP	--	--	--	--	--
Totals	91,288	7,724	36,999	10,634	35,931

</TABLE>

(1) Excludes $4,335 related to lease for office space vacated in 2001 which is being litigated with landlord.

(2) The employment agreements provide for bonus payments that are excluded from these amounts.

In addition to the agreement entered into with Charles I Johnston referred to above in Item 1, "Business - Recent Developments - Executive Changes," Ladenburg entered into additional written employment agreements subsequent to December 31, 2003 with several employees, which obligations aggregate approximately $733 and $347 for 2004 and 2005, respectively.

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 counterparty risk through the use of credit exposure information, the monitoring of collateral values and the establishment of credit limits.

We maintain inventories of trading securities. At December 31, 2003 the fair market value of our inventories were $1,013 in long positions and $4,070 in short positions. We performed an entity-wide analysis of our financial instruments and assessed the related risk. Based on this analysis, in the opinion of management, the market risk associated with our financial instruments at December 31, 2003 will not have a material adverse effect on our consolidated financial position or results of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We and our representatives may from time to time make oral or written "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including any statements that may be contained in the foregoing discussion in "Management's Discussion and Analysis of Financial Condition and Results of Operations", in this report 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 1 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.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk" is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See the Consolidated Financial Statements and Notes thereto, together with the reports thereon of Eisner LLP dated February 5, 2004 and PricewaterhouseCoopers LLP dated March 22, 2002, beginning on page F-1 of this report.

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

Effective September 30, 2002, we changed our independent accountants as described in our Current Report on Form 8-K dated September 30, 2002 and filed with the SEC on October 2, 2002.

ITEM 9A. CONTROLS AND PROCEDURES.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we have 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 are effective. There were no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Disclosure controls and procedures 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 Securities and Exchange Commission'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 its management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding disclosure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The following table sets forth the names, ages and positions of our current directors, executive officers and other key employees as of March 26, 2004. Our directors are elected annually and serve until the next annual meeting of shareholders and until their successors are elected and appointed. Our executive officers serve until the election and qualification of their successors or until their death, resignation or removal by our board of directors.

Name	Age	Position
Howard M. Lorber	55	Chairman of the Board
Victor M. Rivas	60	President and Chief Executive Officer
Vincent A. Mangone	38	Director
Mark Zeitchick	38	Director
Henry C. Beinstein	61	Director
Robert J. Eide	51	Director
Richard J. Lampen	50	Director
Richard J. Rosenstock	52	Director
Salvatore Giardina	42	Vice President and Chief Financial Officer

HOWARD M. LORBER has been chairman of our board of directors since May 2001. Since November 1994, he has been president, chief operating officer and a member of the board of directors of New Valley, a company engaged in the real estate business and seeking to acquire additional operating companies. From January 1994 to January 2001, Mr. Lorber was a consultant to Vector Group Ltd., a New York Stock Exchange-listed holding company, with subsidiaries engaged in the manufacture and sale of cigarettes and the principal shareholder of New Valley, and since January 2001 has served as its president, chief operating officer and a member of its board of directors. Mr. Lorber has been chairman of the board of directors of Hallman & Lorber Associates Inc., consultants and actuaries of qualified pension and profit sharing plans, and various of its affiliates since 1975. Mr. Lorber has been a stockholder and a registered representative of Aegis Capital Corp., a broker-dealer and a member firm of the NASD since 1984. Since 1990, Mr. Lorber has been chairman of the board of directors of Nathan's Famous, Inc., a chain of fast food restaurants, and has been its chief executive officer since 1993. Mr. Lorber also serves as a director of United Capital Corp., a real estate investment and diversified manufacturing company, and of Prime Hospitality Corp., a company doing business in the lodging industry. He is also a trustee of Long Island University.

VICTOR M. RIVAS has been our president and chief executive officer and a member of our board of directors since May 2001. Mr. Rivas will retire from all of his positions with us and our subsidiaries effective March 31, 2004. For more information regarding Mr. Rivas' retirement, see Item 1, "Business - Recent Developments - Executive Changes" above. Mr. Rivas has been affiliated with Ladenburg, our primary operating subsidiary, since September 1997 and has been its chairman and chief executive officer since July 1999. He has been co-chairman of the board of directors of Ladenburg Capital Management Inc., one of our previous operating subsidiaries, since November 2001. Since October 1999, he has been a member of the board of directors of New Valley. Prior to joining Ladenburg, Mr. Rivas served as an executive officer of the brokerage firms of Rickel & Associates, Inc. from March 1997 to September 1997 and Janssen-Meyers Associates, L.P. from January 1996 to March 1997. Mr. Rivas had previously served as chairman of the board and chief executive officer of Conquest Industries Inc. and its subsidiary, Conquest Airlines Corp.

VINCENT A. MANGONE has been a member of our board of directors since August 1999. He also served as our executive vice president from August 1999 until December 2003. Mr. Mangone has been a registered representative with Ladenburg since March 2001. Mr. Mangone has also been affiliated with Ladenburg Capital since October 1993 and has been an executive vice president since September 1995.

MARK ZEITCHICK has been a member of our board of directors since August 1999. He also served as our executive vice president from August 1999 until December 2003. Mr. Zeitchick has been a registered representative with Ladenburg since March 2001. Mr. Zeitchick has also been affiliated with Ladenburg Capital since October 1993. Mr. Zeitchick has been Ladenburg Capital's co-chairman since November 2001. From September 1995 until November 2001, he was an executive vice president of Ladenburg Capital. From May 2001 until November 2001, he served as chairman of Ladenburg Capital, and became co-chairman in November 2001.

HENRY C. BEINSTEIN has been a member of our board of directors since May 2001. Mr. Beinstein has been a director of New Valley since 1994 and of Vector Group since March 2004. Since August 2002, Mr. Beinstein has been a money manager and an analyst and registered representative of Gagnon Securities, LLC, a broker-dealer and a member firm of the NASD. He retired in August 2002 as the executive director of Schulte Roth & Zabel LLP, a New York-based law firm, a position he had held since August 1997. Before that, Mr. Beinstein had served as the managing director of Milbank, Tweed, Hadley & McCloy LLP, a New York-based law firm, commencing in November 1995. From April 1985 through October 1995, Mr. Beinstein was the executive director of Proskauer Rose LLP, a New York-based law firm. Mr. Beinstein is a certified public accountant in New York and New Jersey and prior to joining Proskauer was a partner and national director of finance and administration at Coopers & Lybrand.

ROBERT J. EIDE has been a member of our board of directors since May 2001. He has also been the chairman and treasurer of Aegis Capital Corp. since before 1988. Mr. Eide also serves as a director of Nathan's Famous and Vector Group.

RICHARD J. LAMPEN has been a member of our board of directors since January 2002. He has been the executive vice president and general counsel of New Valley since October 1995 and a member of its board of directors since July 1996. Since July 1996, Mr. Lampen has served as executive vice president of Vector Group. Since January 1997, Mr. Lampen has served as a director of CDSI Holdings Inc., a company with interests in the marketing services business, and since November 1998 has been its president and chief executive officer. From May 1992 to September 1995, Mr. Lampen was a partner at Steel Hector & Davis, a law firm located in Miami, Florida. From January 1991 to April 1992, Mr. Lampen was a managing director at Salomon Brothers Inc., an investment bank, and was an employee at Salomon Brothers from 1986 to April 1992. Mr. Lampen has served as a director of a number of other companies, including U.S. Can Corporation, The International Bank of Miami, N.A. and Spec's Music Inc., as well as a court-appointed independent director of Trump Plaza Funding, Inc.

RICHARD J. ROSENSTOCK has been a member of our board of directors since August 1999. From May 2001 until December 2002, Mr. Rosenstock served as vice chairman of our board of directors and from August 1999 until December 2002, served as our chief operating officer. He also served as our president from August 1999 until May 2001. Since January 2003, Mr. Rosenstock has been a registered representative of Ladenburg. Mr. Rosenstock was affiliated with Ladenburg Capital from 1986 until December 2002, serving from May 2001 as Ladenburg Capital's chief executive officer. From January 1994 until May 1998, he served as an executive vice president of Ladenburg Capital and was its president from May 1998 until November 2001.

OTHER EXECUTIVE OFFICER

SALVATORE GIARDINA has been our vice president and chief financial officer since October 2002 and was our vice president of finance from June 2001 until October 2002. Mr. Giardina has been affiliated with Ladenburg since February 1990. He has served as Ladenburg's chief financial officer since August 1998, and from February 1990 until August 1998, served as its controller. From August 1983 until February 1990, Mr. Giardina was an auditor with the national public accounting firm of Laventhol & Horwath. Mr. Giardina is a certified public accountant.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers, directors and persons who beneficially own more than ten percent of our common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on our review of the copies of these forms furnished to us and representations that no other reports were required, all Section 16(a) reporting requirements were complied with during the fiscal year ended December 31, 2003.

AUDIT COMMITTEE FINANCIAL EXPERT

Currently, our audit committee is comprised of Henry C. Beinstein, Robert J. Eide and Richard J. Lampen, with Mr. Beinstein serving as the chairman of the audit committee. Our board of directors believes that the audit committee has at least one "audit committee financial expert" (as defined in Regulation 240.401(h)(1)(i)(A) of Regulation S-K) serving on its audit committee, such "audit committee financial expert" being Mr. Beinstein. Our board of directors also believes that Mr. Beinstein would be considered an "independent" director under Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934.

CODE OF ETHICS

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. A copy of our code of ethics has been filed as an exhibit to this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION.

The following table shows the compensation paid or accrued by us to our chief executive officer and to our most highly compensated executive officers whose total 2003 compensation exceeded $100 (collectively, the "Named Executive Officers") for the calendar years 2003, 2002 and 2001. All compensation figures in this table and the notes thereto, are in dollars.

<TABLE>
<CAPTION>

		ANNUAL COMPENSATION		LONG-TERM COMPENSATION	
NAME AND PRINCIPAL POSITION	FISCAL PERIOD	SALARY ($)	BONUS ($)	OPTIONS (#)	ALL OTHER COMPENSATION

<S>	<C>	<C>	<C>	<C>	<C>
Victor M. Rivas	2003	500,000	500,000(1)	-0-	2,254(2)
President and Chief Executive	2002	500,000	595,678(3)	300,000	3,044(2)
Officer	2001	500,000(4)	867,826(5)	1,000,000	375,000(6)
Mark Zeitchick	2003	90,000	307,981(7)	-0-	79,580(2)
Former Executive Vice	2002	90,000	378,055(7)	250,000	32,357(2)
President	2001	66,500	379,681(7)	-0-	15,458(2)
Vincent A. Mangone	2003	90,000	307,981(7)	-0-	85,378(2)
Former Executive Vice	2002	90,000	378,055(7)	250,000	40,341(2)
President	2001	66,500	379,681(7)	-0-	10,752(2)
Salvatore Giardina	2003	214,000	55,000(8)	30,000	-0-
Vice President and Chief	2002	214,000	-0-	35,000	70(9)
Financial Officer	2001	214,000	3,500(8)	-0-	709(9)

</TABLE>

(1) Represents a $500,000 bonus paid by us.

(2) Represents commissions earned from customer accounts for which the individual is a designated account representative.

(3) Represents (i) a $500,000 bonus paid by us and (ii) a $95,678 bonus paid by us under our Special Performance Incentive Plan.

(4) Represents $173,973 of salary paid by Ladenburg prior to the consummation of the stock purchase agreement with New Valley, Berliner and Ladenburg on May 7, 2001 and $326,027 of salary paid thereafter by us.

(5) Represents (i) a $173,973 bonus paid by Ladenburg, (ii) a $326,027 bonus paid by us pursuant to his employment agreement and (iii) a $367,826 bonus paid by us under our Special Performance Incentive Plan.

(6) Represents the portion of a fee paid by New Valley to Mr. Rivas which was reimbursed by Ladenburg for his services in connection with the closing of the stock purchase agreement with New Valley, Berliner and Ladenburg

(7) Represents a bonus paid to the individual under our Special Performance Incentive Plan.

(8) Represents a discretionary bonus received by the individual.

(9) Represents residual earnings from stock options surrendered with respect to the 1995 merger of Ladenburg Thalmann and New Valley.

COMPENSATION ARRANGEMENTS FOR EXECUTIVE OFFICERS

Victor M. Rivas is currently employed by us as our president and chief executive officer under an employment agreement with Ladenburg which expires in August 2004. On March 9, 2004, we entered into a Severance, Waiver and Release Agreement with Mr. Rivas. Under the Severance Agreement, effective March 31, 2004, Mr. Rivas will retire from all of his positions with us and all of our subsidiaries including Ladenburg. Pursuant to the Severance Agreement, Mr. Rivas will receive (i) a lump sum payment of approximately $449 (representing various amounts owed to him under his existing employment agreement) and (ii) continued health benefits under his existing employment agreement until the earlier of his 65th birthday or until he is covered on a comparable basis by another plan.

In connection with Mr. Rivas' retirement, we entered into an Employment Agreement dated March 9, 2004 with Charles I. Johnston pursuant to which Mr. Johnston will serve as our president and chief executive officer and as chairman and chief executive officer of Ladenburg effective as of April 1, 2004. Under the Employment Agreement, Mr. Johnston will receive (i) a base salary of $250 per year, (ii) a payment of approximately $10 on April 1, 2004, (iii) the right to participate in an annual bonus plan for the benefit of our executives if we adopt such a plan and (iv) options to purchase 2,500,000 shares of our common stock at a price of $0.75 per share, 1,000,000 of which are under our 1999 Performance Equity Plan and 1,500,000 of which are outside the plan. The options vest based on his continued employment in five annual installments commencing on March 9, 2005 and expire on March 8, 2014. The options provide that if a "change of control" (as defined in the Employment Agreement) occurs, all options not yet vested will vest and become immediately exercisable. If Mr. Johnston is terminated by us for any reason other than for cause within the first year of the agreement, we are obligated to pay him $100 and 100,000 of his options will vest. Thereafter, we will be required to pay him a full year's base salary upon his termination by us. The employment agreement also provides that Mr. Johnston will not compete with us or any of our subsidiaries in any company that is materially involved in the retail brokerage business for a period of one year from the date of his termination.

Salvatore Giardina is currently employed by us as our executive vice president and chief financial officer until April 1, 2005 under an employment agreement with Ladenburg. The employment agreement provides for an annual base salary of approximately $214 subject to periodic increases and discretionary bonuses as determined by our board of directors or our compensation committee. If Mr. Giardina is terminated by us for any reason other than for cause during

the term of the agreement, we are obligated to pay him the remainder of his salary during the term of the agreement as a lump sum payment. The agreement provides that Mr. Giardina will not, for a period of one year from the date of his termination, solicit or induce any director, officer or employee of us or our subsidiaries to terminate such person's employment or to become employed by any other corporation or business.

Effective December 31, 2002, we entered into an amendment to Richard Rosenstock's employment agreement that provided for him to no longer be employed by us. However, he will continue to be employed by Ladenburg as a registered representative until December 31, 2005. Mr. Rosenstock, a member of our board of directors and our former vice chairman and chief operating officer, received $25 upon signing of the amendment and received a monthly base salary of approximately $17 for the first year of the agreement and will receive a monthly base salary of $15 for the second and third years of the agreement. Additionally, Mr. Rosenstock will receive 50% of all of his retail brokerage production for the term of the agreement and 15% of any compensation received by Ladenburg or any of its affiliates as a finders fee for any corporate finance transactions entered into within 18 months after the introduction by Mr. Rosenstock to Ladenburg. However, he will no longer be entitled to participate in the Special Performance Incentive Plan and Annual Incentive Bonus Plan. The agreement provides that Mr. Rosenstock will not compete with us or our subsidiaries for a period of one year from the date of his termination, but allows him to deal with any of his prior or then existing customers or clients without any restriction. The signing bonus and base salary are considered a buy-out for accounting purposes, and accordingly, a total of $590 was accrued as of December 31, 2002 and included in operating expenses for 2002.

Messrs. Zeitchick and Mangone, our former executive vice presidents, were previously employed by us and Ladenburg Capital pursuant to five-year employment agreements dated August 24, 1999. Due to our financial condition, Messrs. Zeitchick and Mangone voluntarily forfeited 25% of the compensation due to them under the Special performance Incentive Plan for the period from September 1, 2002 through December 31, 2002. Effective December 31, 2003, we entered into amendments to each of Messrs. Zeitchick's and Mangone's agreements that provided for them to terminate their employment with us as our executive vice presidents. The amendments provides for each of them to be employed with Ladenburg as a registered representative until August 31, 2004. Messrs. Zeitchick and Mangone will each receive a monthly base salary of approximately $4 for the duration of the agreement and be entitled to continue to participate in our Annual Incentive Bonus Plan as well as receive an override (as defined in our Special Performance Incentive Plan) at a rate of 0.25335%. They will also receive a 50% payout on all of their retail brokerage production in accordance with Ladenburg's standard procedures as well as 15% of any compensation received by Ladenburg or any of its affiliates as a finders fee for any corporate finance transactions entered into within 18 months after the introduction by them to Ladenburg. Additionally, if Ladenburg Capital Fund Management, the general partner of the Ladenburg Focus Fund, is paid any performance, management or other fee in connection with the fund during or relating to the year ended December 31, 2003, they shall receive 20% of such amount paid. The agreements provide that Messrs. Zeitchick and Mangone will not compete with us or our subsidiaries for a period of one year from the date of their termination, but allows them to deal with any of their prior or then existing customers or clients without any restriction. The remaining salary payable under these amended employment agreements is considered a buy-out for accounting purposes, and accordingly, a total of $60 was accrued as of December 31, 2003 and included in operating expenses for 2003.

COMPENSATION ARRANGEMENTS FOR DIRECTORS

Directors who are employees of ours receive no cash compensation for serving as directors. Our non-employee directors receive annual fees of $15, payable in quarterly installments, for their services on our board of directors, and members of our audit committee and compensation committee each receive an additional annual fee of $10 and $5, respectively. In addition, each director receives five hundred dollars per meeting that he attends. Additionally, upon their election or re-election, as the case may be, we grant our non-employee directors ten-year options under our 1999 Performance Equity Plan to purchase 20,000 shares of our common stock at fair market value on the date of grant. All of our directors are reimbursed for their costs incurred in attending meetings of the board of directors or of the committees on which they serve.

OPTION GRANTS

The following table represents the stock options granted in the fiscal year ended December 31, 2003, to the Named Executive Officers.

<TABLE>
<CAPTION>

STOCK OPTION GRANTS IN 2003

NAME OF EXECUTIVE	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR (%)	EXERCISE PRICE OF OPTIONS ($)	EXPIRATION DATE	GRANT DATE PRESENT VALUE(1)($)

Salvatore Giardina	30,000	2.6%	0.45	12/16/13	$12,300

(1) The estimated present value at grant date of the options granted to such individual has been calculated using the Black-Scholes option pricing model, based upon the following assumptions: volatility of 103.20%, a risk-free rate of 4.27%, an expected life of 10 years, a dividend rate of 0% and no forfeiture. The approach used in developing the assumptions upon which the Black-Scholes valuation was done is consistent with the requirements of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

The following table sets forth the fiscal year-end option values of outstanding options at December 31, 2003, and the dollar value of unexercised, in-the-money options for our Named Executive Officers. There were no stock options exercised by any of the Named Executive Officers in 2003.

AGGREGATED FISCAL YEAR-END OPTION VALUES

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR END:		DOLLAR VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT FISCAL YEAR END	
NAME	EXERCISABLE (#)	UNEXERCISABLE (#)	EXERCISABLE ($)	UNEXERCISABLE ($)
Victor M. Rivas	766,666	533,334	-0-	-0-
Mark Zeitchick	183,333	166,667	-0-	-0-
Vincent A. Mangone	183,333	166,667	-0-	-0-
Salvatore Giardina	11,667	53,333	-0-	-0-

ANNUAL INCENTIVE BONUS PLAN

On August 23, 1999, our shareholders adopted the Annual Incentive Bonus Plan, which is a performance-based compensation plan for our executive officers and other key employees. The plan is administered by our compensation committee and is intended to comply with the regulations issued under Section 162(m) of the Internal Revenue Code. Under this plan, bonuses are paid to participants selected by our compensation committee if performance targets established by our compensation committee are met within the specified performance periods. For the fiscal year ended December 31, 2003 and for the fiscal year ending December 31, 2004, our compensation committee determined that participating employees would share in a bonus pool equal to 25% of our net income before taxes and before the accrual of compensation payable under this plan provided that we achieve a 10% return on equity before taxes at the end of the fiscal year. The maximum award payable annually to any participant under this plan was limited to a percentage of the bonus pool created and was subject to the maximum limit of $5,000 for any person. The maximum award available to Victor M. Rivas under the Plan was limited to 32.5% of the Pool and the maximum award available to any other participant under the plan was limited to 22.5% of the Pool. No awards were made under the Bonus Plan for fiscal 2003 to Messrs. Rivas, Zeitchick and Mangone, the participants in the Bonus Plan for 2003. The compensation committee has selected Messrs. Zeitchick and Mangone to participate in the Bonus Plan for fiscal 2004.

SPECIAL PERFORMANCE INCENTIVE PLAN

On August 23, 1999, our shareholders adopted our Special Performance Incentive Plan. The Special Performance Incentive Plan is similar in nature to the Annual Incentive Bonus Plan in seeking to provide performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code. Executive officers and key employees selected by our compensation committee may receive bonuses upon reaching performance targets established by our compensation committee within specific performance periods, which performance

targets may be based upon one or more selected business criteria. For the fiscal year ended December 31, 2003 and for the fiscal year ending December 31, 2004, the compensation committee has determined that participants are entitled to receive an incentive award that is based on our total consolidated revenues provided that specified commission levels are achieved. Awards are payable monthly, based on the average monthly revenues to such date. However, final awards reflecting the performance for the last month of the fiscal period and the fiscal period overall are not paid until all financial results for the year are reconciled and the compensation committee has approved and certified that the established performance requirements have been achieved. The maximum award payable for any fiscal period to any participant is the lesser of $5,000 or a set percentage for the individual participants as disclosed elsewhere in this report. Messrs. Rivas, Zeitchick and Mangone received bonuses under the Special Performance Incentive Plan for fiscal 2003 as disclosed in the Summary

Compensation table above. The compensation committee has determined that Messrs. Zeitchick and Mangone will currently be entitled to participate in this plan for fiscal 2004.

1999 PERFORMANCE EQUITY PLAN

On August 23, 1999, our shareholders adopted the 1999 Performance Equity Plan covering 3,000,000 shares of our common stock, under which our officers, directors, key employees and consultants are eligible to receive incentive or non-qualified stock options, stock appreciation rights, restricted stock awards, deferred stock, stock reload options and other stock based awards. On May 7, 2001, our shareholders approved an amendment increasing the number of shares available for issuance under the plan to 5,500,000 shares. On November 6, 2002, our shareholders approved another amendment increasing the number of shares available for issuance under the plan to 10,000,000 shares. The Performance Equity Plan will terminate when no further awards may be granted and awards granted are no longer outstanding, provided that incentive options may only be granted until May 26, 2009. The plan is intended to comply with the regulations issued under Section 162(m) of the Internal Revenue Code and is administered by our compensation committee. To the extent permitted under the provisions of the plan, the compensation committee has authority to determine the selection of participants, allotment of shares, price, and other conditions of awards.

LADENBURG THALMANN FINANCIAL SERVICES INC. EMPLOYEE STOCK PURCHASE PLAN

In November 2002, our shareholders approved the "Ladenburg Thalmann Financial Services Inc. Employee Stock Purchase Plan," under which a total of 5,000,000 shares of common stock are available for issuance. Under this stock purchase plan, as currently administered by the compensation committee, all full-time employees may use a portion of their salary to acquire shares of our common stock. Option periods have been initially set at three months long and commence on January 1st, April 1st, July 1st and October 1st of each year and end on March 31st, June 30th, September 30th and December 31st of each year. On the first day of each option period, known as the "date of grant," each participating employee is automatically granted an option to purchase shares of our common stock to be automatically exercised on the last trading day of the three-month purchase period comprising an option period. The last trading day of an option period is known as an "exercise date." On the exercise date, the amounts withheld will be applied to purchase shares for the employee from us. The purchase price will be the lesser of 85% of the last sale price of our common stock on the date of grant or on the exercise date. The Plan became effective November 6, 2002 and as of the date of this report, 1,601,919 shares of common stock have been issued under it.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Our compensation committee is comprised of Messrs. Lorber, Beinstein and Eide. None of these individuals served as officers of ours or of our subsidiaries. Mr. Lorber is the chairman of the board of a firm which receives commissions from insurance policies written for us. See "Item 13 - Certain Relationships and Related Transactions."

Victor M. Rivas, our president and chief executive officer, serves as a member of New Valley's board of directors, of which Mr. Lorber is president, chief operating officer and a director. Additionally, Richard J. Lampen, New Valley's executive vice president, general counsel and director, is a member of our board of directors. Prior to October 2002, New Valley's board of directors did not have a separate compensation committee and acted on compensation matters as an entire body. No individual who is an executive officer of ours currently serves on the New Valley compensation committee.

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

The following table sets forth certain information as of March 26, 2004 with respect to the beneficial ownership of our common stock by (i) those persons or groups known to beneficially own more than 5% of our voting securities, (ii) each of our directors, (iii) the Named Executive Officers and (iv) all of our current directors and executive officers as a group. Except as otherwise stated, the business address of each of the below listed persons is c/o Ladenburg Thalmann Financial Services Inc., 590 Madison Avenue, 34th Floor, New York, New York 10022.

<TABLE>
<CAPTION>

NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)	PERCENT OF CLASS OF VOTING SECURITIES
<S>	<C>	<C>
Phillip Frost, M.D. (2)	8,461,841(3)	16.8%
Berliner Effektengesellschaft AG(4)	5,575,556(5)	12.5%
Bennett S. LeBow	4,381,314(6)	10.0%
Richard J. Rosenstock	3,968,012(7)	9.0%
New Valley Corporation(8)	3,944,216(9)	8.3%
Carl C. Icahn(10)	3,396,258(11)	7.8%
Mark Zeitchick	1,692,977(12)	3.9%
Vincent Mangone	1,692,977(13)	3.9%
Howard M. Lorber	1,555,878(14)	3.6%
Victor M. Rivas	879,466(15)	2.0%

Richard J. Lampen	78,367(16)	*
Robert J. Eide	51,367(17)	*
Henry C. Beinstein	51,361(18)	*
Salvatore Giardina	23,333(19)	*
All directors and executive officers as a group (9 persons)	9,993,738(20)	22.0%

</TABLE>

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* Less than 1 percent.

(1) Beneficial ownership is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934. The information concerning the shareholders is based upon numbers reported by the owner in documents publicly filed with the SEC, publicly available information or information made known to us. Except as otherwise indicated, all of the shares of common stock are owned of record and beneficially and the persons identified have sole voting and investment power with respect thereto.

(2) The business address of Dr. Frost is c/o IVAX Corporation, 4400 Biscayne Boulevard, Miami, Florida 33137.

(3) Represents (i) 1,844,366 shares of common stock held by Frost Gamma Investments Trust, a trust organized under Nevada law, (ii) 100,000 shares of common stock issuable upon exercise of an immediately exercisable warrant held by Frost Gamma, (iii) 6,497,475 shares of common stock issuable upon conversion of a senior convertible promissory note held by Frost-Nevada Investments Trust, a trust organized under Nevada law, and (iv) 20,000 shares of common stock issuable upon exercise of currently exercisable options held by Dr. Frost. Does not include additional shares of common stock that will be issuable, subject to shareholder approval, upon conversion of the senior convertible promissory note held by Frost-Nevada pursuant to the debt conversion agreement we entered into in March 2004. See Item 1, "Business - Recent Developments - Debt Conversion" above. Dr. Frost is the sole trustee of both Frost Gamma Investments Trust and Frost-Nevada Investments Trust. Dr. Frost is also (a) the sole limited partner of Frost Gamma Limited Partnership, the beneficiary of Frost Gamma Investments Trust, and is the sole shareholder of Frost-Nevada Corporation, the sole shareholder of Frost Gamma Inc., the general partner of Frost Gamma Limited Partnership, (b) one of the three limited partners of Frost-Nevada, Limited Partnership, the beneficiary of Frost-Nevada Investments Trust, and is the sole shareholder of Frost-Nevada Corporation, the general partner of Frost-Nevada, Limited Partnership and (c) the sole shareholder of Frost Beta, Inc., the sole general partner of Frost Beta, LLP, a limited partner of Frost-Nevada, Limited Partnership. Record ownership of these shares may be transferred from time to time among Dr. Frost and, in addition to other entities that he may control, any or all of Frost Gamma Investments Trust, Frost Gamma Limited Partnership, Frost Gamma Inc., Frost-Nevada Investments Trust, Frost-Nevada, Limited Partnership, Frost Beta, Inc., Frost Beta, LLP and Frost-Nevada Corporation. Accordingly, solely for purposes of reporting beneficial ownership of these shares pursuant to Section 13(d) of the Exchange Act, each of these parties will be deemed to be the beneficial owner of the shares held by any other of the parties. The foregoing information was derived from an Amendment to Schedule 13D filed with the SEC on September 10, 2001 as well as from information made known to us.

(4) The business address for Berliner Effektengesellschaft AG is Kurfustendamm 119, 10711 Berlin, Germany.

(5) Includes 955,055 shares of common stock issuable upon conversion of a senior convertible promissory note held by Berliner. As described above in Item 1, "Business -- Recent Developments -- Debt Conversion" we agreed to repurchase this note held by Berliner.

(6) Represents (i) 758,205 shares of common stock held directly by Mr. LeBow, (ii) 3,325,199 shares of common stock held by LeBow Gamma Limited Partnership, a Nevada limited partnership, (iii) 110,336 shares of common stock held by LeBow Alpha LLLP, a Delaware limited liability limited partnership, (iv) 147,574 shares of common stock held by The Bennett and Geraldine LeBow Foundation, Inc., a Florida not-for-profit corporation, and (v) 40,000 shares of common stock issuable upon exercise of currently exercisable options held by Mr. LeBow. Does not include the shares of common stock beneficially owned by New Valley Corporation of which Mr. LeBow serves as an executive officer and director. Mr. LeBow indirectly exercises sole voting power and sole dispositive power over the shares of common stock held by the partnerships. LeBow Holdings, Inc., a Nevada corporation, is the sole stockholder of LeBow Gamma, Inc., a Nevada corporation, which is the general partner of LeBow Gamma Limited Partnership, and is the general partner of LeBow Alpha LLLP. Mr. LeBow is a director, officer and sole stockholder of LeBow Holdings, Inc. and a director and officer of LeBow Gamma, Inc. Mr. LeBow and family members serve as directors and executive officers of the Foundation and Mr. LeBow possesses shared voting and shared dispositive power with the other directors of the Foundation with respect to the Foundation's shares of common stock. The foregoing information was derived from an Amendment to Schedule 13D filed with the SEC on December 21, 2001 as well as from information

made known to us.

(7) Represents (i) 3,701,346 shares of common stock held of record by The Richard J. Rosenstock Revocable Living Trust Dated 3/5/96, of which Mr. Rosenstock is the sole trustee and beneficiary, and (ii) 266,666 shares of common stock issuable upon exercise of currently exercisable options held by Mr. Rosenstock. Does not include 83,334 shares of common stock issuable upon exercise of options held by Mr. Rosenstock that are not currently exercisable and that will not become exercisable within the next 60 days.

(8) The business address for New Valley Corporation is 100 S. E. Second Street, Miami, Florida 33131.

(9) Represents (i) 3,844,216 shares of common stock issuable upon conversion of a senior convertible promissory note held by New Valley and (ii) 100,000 shares of common stock issuable upon exercise of immediately exercisable warrants held by New Valley. Does not include additional shares of common stock that will be issuable, subject to shareholder approval, upon conversion of the senior convertible promissory note held by New Valley pursuant to the debt conversion agreement we entered into in March 2004. See Item 1, "Business - Recent Developments - Debt Conversion" above.

(10) The business address for Mr. Icahn is c/o Icahn Associates Corp., 767 Fifth Avenue, 47th Floor, New York, New York 10153.

(11) Represents (i) 2,148,725 shares of common stock held by High River Limited Partnership, (ii) 1,227,773 shares of common stock held by Tortoise Corp. and (iii) 19,760 shares of common stock held by Little Meadow Corp. Each of these entities are either directly or indirectly 100% owned by Mr. Icahn. As such, Mr. Icahn is in a position to directly and indirectly determine the investment and voting decisions made by these entities. Accordingly, Mr. Icahn may be deemed to be the beneficial owner of these shares for purposes of reporting beneficial ownership pursuant to Section 13(d) of the Exchange Act. However, Mr. Icahn disclaims beneficial ownership of these shares for all other purposes. The foregoing information was derived from a Schedule 13D filed with the SEC on December 28, 2001.

(12) Represents (i) 1,414,211 shares of common stock held of record by MZ Trading LLC, of which Mr. Zeitchick is the sole managing member, (ii) 12,100 shares of common stock held of record by Mr. Zeitchick and (iii) 266,666 shares of common stock issuable upon exercise of currently exercisable options held by Mr. Zeitchick. Does not include 83,334 shares of common stock issuable upon exercise of options held by Mr. Zeitchick that are not currently exercisable and that will not become exercisable within the next 60 days.

(13) Represents (i) 1,426,311 shares of common stock held of record by The Vincent A. Mangone Revocable Living Trust Dated 11/5/96, of which Mr. Mangone is the sole trustee and beneficiary, and (ii) 266,666 shares of common stock issuable upon exercise of currently exercisable options held by Mr. Mangone. Does not include 83,334 shares of common stock issuable upon exercise of options held by Mr. Mangone that are not currently exercisable and that will not become exercisable within the next 60 days.

(14) Represents (i) 1,392,251 shares of common stock held directly by Mr. Lorber, (ii) 118,560 shares of common stock held by Lorber Alpha II Partnership, a Nevada limited partnership, (iii) 5,067 shares of common stock held by the Lorber Charitable Fund, a New York not-for-profit corporation, and (iv) 40,000 shares of common stock issuable upon exercise of currently exercisable options held by Mr. Lorber. Does not include (i) 20,000 shares of common stock issuable upon exercise of options held by Mr. Lorber that are not currently exercisable and that will not become exercisable within 60 days and (ii) the shares of common stock beneficially owned by New Valley Corporation of which Mr. Lorber serves as an executive officer and director. Mr. Lorber indirectly exercises sole voting power and sole dispositive power over the shares of common stock held by the partnership. Lorber Alpha II, Inc., a Nevada corporation, is the general partner of Lorber Alpha II Partnership. Mr. Lorber is the director, officer and principal stockholder of Lorber Alpha II, Inc. Mr. Lorber and family members serve as directors and executive officers of Lorber Charitable Fund, and Mr. Lorber possesses shared voting power and shared dispositive power with the other directors of the fund with respect to the fund's shares of our common stock. The foregoing information was derived from an Amendment to Schedule 13D filed with the SEC on December 21, 2001 as well as from information made known to us.

(15) Includes 866,666 shares of common stock issuable upon exercise of currently exercisable options held by Mr. Rivas. Does not include 433,334 shares of common stock issuable upon exercise of options held by Mr. Rivas that are not currently exercisable and that will not become exercisable within the next 60 days.

(16) Includes 40,000 shares of common stock issuable upon exercise of currently exercisable options held by Mr. Lampen. Does not include (i) 20,000 shares of common stock issuable upon exercise of options held by Mr. Lampen that are not currently exercisable and that will not become exercisable within the next 60 days and (ii) the shares of common stock beneficially owned by New Valley Corporation of which Mr. Lampen serves

as an executive officer and director.

(17) Includes 40,000 shares of common stock issuable upon exercise of currently exercisable options held by Mr. Eide. Does not include 20,000 shares of common stock issuable upon exercise of options held by Mr. Eide that are not currently exercisable and that will not become exercisable within 60 days.

(18) Includes (i) 823 shares of common stock held of record in the individual retirement account of Mr. Beinstein's spouse and (ii) 40,000 shares of common stock issuable upon exercise of currently exercisable options held by Mr. Beinstein. Does not include 20,000 shares of common stock issuable upon exercise of options held by Mr. Beinstein that are not currently exercisable and that will not become exercisable within 60 days.

(19) Includes 23,333 shares of common stock issuable upon exercise of currently exercisable options held by Mr. Giardina. Does not include 41,667 shares of common stock issuable upon exercise of options held by Mr. Giardina that are not currently exercisable and that will not become exercisable within the next 60 days.

(20) Includes 1,849,997 shares of common stock issuable upon exercise of currently exercisable options and excludes 805,003 shares of common stock issuable upon exercise of options that are not currently exercisable and that will not become exercisable within the next 60 days. See notes 7, 12, 13, 14, 15, 16, 17, 18 and 19.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information at December 31, 2003 with respect to our equity compensation plans that provide for the issuance of options, warrants or rights to purchase our securities.

<TABLE>
<CAPTION>

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS	NUMBER OF SECURITIES REMAINING AVAILABLE FOR FUTURE ISSUANCE UNDER EQUITY COMPENSATION PLANS (EXCLUDING SECURITIES REFLECTED IN THE FIRST COLUMN)
<S>	<C>	<C>	<C>
Equity Compensation Plans Approved by Security Holders	5,453,030	$1.76	4,546,970
Equity Compensation Plans Not Approved by Security Holders	200,000	$1.00	-0-

</TABLE>

On August 31, 2001, New Valley and Frost-Nevada each loaned us $1,000. As consideration for the loans, we issued to each of them a five-year, immediately exercisable warrant to purchase 100,000 shares of our common stock at an exercise price of $1.00 per share. These two warrants are our only equity compensation "plans" not approved by our shareholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

On May 7, 2001, we consummated the stock purchase agreement, as amended, with New Valley Corporation, Berliner Effektengesellschaft AG and Ladenburg in which we acquired all of the outstanding common stock of Ladenburg. As partial consideration for the common stock of Ladenburg, we issued:

- 18,598,098 shares of common stock and $8.01 million aggregate principal amount of our senior convertible promissory notes, convertible into 3,844,216 shares of common stock, to New Valley; and

- 4,620,501 shares of common stock and $1.99 million aggregate principal amount of our senior convertible promissory notes, convertible into 955,055 shares of common stock, to Berliner.

We also paid New Valley and Berliner $8,010 and $1,990 in cash, respectively. The cash portion of the consideration paid to New Valley and Berliner was obtained pursuant to a loan agreement with Frost-Nevada, Limited Partnership under which Frost-Nevada provided us with $10,000 in cash in exchange for $10,000 aggregate principal amount of our senior convertible promissory notes, currently convertible into 6,497,475 shares of common stock.

The notes issued to New Valley and Berliner bear interest at a rate of 7.5% per year, payable quarterly, and are secured by a pledge of the shares of common stock of Ladenburg The notes are convertible, in whole or in part, at any time, into that number of shares of common stock determined by dividing the principal and interest to be converted by the "conversion price." The

"conversion price" is $2.0836498 and is subject to anti-dilution adjustment for stock splits, dividends and other similar events. Additionally, if, during any period of 20 consecutive trading days, the closing sale price of our common stock is at least $8.00, the principal and all accrued interest on the notes will be automatically converted into shares of common stock at the conversion price then in effect. The notes also provide that if a change of control occurs, as defined in the notes, we must offer to purchase all of the outstanding notes at a purchase price equal to the unpaid principal amount of the notes and the accrued interest.

The note issued to Frost-Nevada has the same terms as the notes issued to New Valley and Berliner, except that the conversion price of the note is $1.5390594 and pays interest at a rate of 8.5% per year. The note issued to Frost-Nevada is also secured by a pledge of the shares of common stock of Ladenburg.

On June 28, 2002, New Valley, Berliner and Frost-Nevada agreed with us to forbear until May 15, 2003 payment of the interest due to them under the senior convertible promissory notes held by these entities on the interest payment dates of the notes commencing on June 30, 2002 through March 2003. On March 3, 2003, the holders of the senior convertible promissory notes agreed to extend the interest forbearance period to January 15, 2005 with respect to interest payments due through December 31, 2004. Interest on the deferred amounts accrues at 8% on the New Valley and Berliner notes and 9% on the Frost-Nevada note. We also agreed to apply any net proceeds from any subsequent public offerings to any such deferred amounts owed to the holders of the notes to the extent possible.

On March 29, 2004, we entered into an agreement with New Valley and Frost-Nevada, the holders of our outstanding $18,010 aggregate principal amount of senior convertible promissory notes, pursuant to which such parties agreed to convert their notes and accrued interest into common stock, subject to shareholder approval. Pursuant to the agreement, New Valley and Frost-Nevada will convert their notes into approximately 26,000,000 shares of common stock at reduced conversion prices of $1.10 per share and $0.70 per share, respectively. The agreement is subject to, among other things, approval by our shareholders at a special meeting that is expected to be held in the second quarter of 2004. Concurrently with this agreement, we entered into an agreement with Berliner, the holder of the remaining $1,990 aggregate principal amount of senior convertible promissory notes, pursuant to which we will repurchase the notes held by Berliner, plus all accrued interest thereon, for $1,000 in cash.

We currently anticipate recording a pre-tax charge in 2004 of approximately $10,900 in our statements of operations upon closing of these transactions. The charge reflects expense attributable to the reduction in the conversion price of the notes to be converted, offset partially by the gain on the repurchase of the Berliner notes. The net balance sheet effect of the transactions will be an increase in our shareholders' equity of approximately $22,900.

Prior to the consummation of the acquisition, New Valley maintained office space at Ladenburg's principal offices. In connection with the consummation of the transaction, New Valley entered into a license agreement with Ladenburg in which New Valley will continue to occupy this space at no cost to New Valley. The license agreement is for one year and is automatically renewed for successive one-year periods unless terminated by New Valley. The space, which is not currently occupied by New Valley, has been subleased on a short-term basis by Ladenburg to an unaffiliated third party.

From June 2001 until October 2002, J. Bryant Kirkland III, the vice president, treasurer and chief financial officer of New Valley, served as our chief financial officer and New Valley did not allocate any expense to us for his services. In December 2002, we accrued compensation for Mr. Kirkland's services, in the amount of $100, which was paid in four quarterly installments of $25, commencing April 1, 2003.

On March 27, 2002, we borrowed $2,500 from New Valley. The loan, which bears interest at 1% above the prime rate, was due on the earlier of December 31, 2003 or the completion of one or more equity financings where we receive at least $5,000 in total proceeds. The terms of the loan restrict us from incurring or assuming any indebtedness that is not subordinated to the loan so long as the loan is outstanding. On July 16, 2002, we borrowed an additional $2,500 from New Valley on the same terms as the March 2002 loan. In November 2002, we completed the Clearing Conversion in which we renegotiated our current clearing agreement with one of our clearing brokers whereby this clearing broker became our primary clearing broker, clearing substantially all of our business. As part of the new agreement with this clearing broker, an affiliate of the clearing broker loaned us the Clearing Loans. In connection with the Clearing Loans, New Valley agreed to extend the maturity of the 2002 Loans to December 31, 2006 and to subordinate the 2002 Loans to the repayment of the Clearing Loans.

On October 8, 2002, we borrowed an additional $2,000 from New Valley. The loan, which bore interest at 1% above the prime rate, matured on the earliest of December 31, 2002, the next business day after we received our federal income tax refund for the fiscal year ended September 30, 2002, and the next business day after we received a loan from an affiliate of our clearing broker in connection with the conversion of additional clearing business to this broker. This loan was repaid in December 2002 upon receipt of the Clearing Loans.

We may from time to time borrow additional funds on a short-term basis from New Valley or from other parties, including our shareholders and clearing brokers, in order to supplement the liquidity of our broker-dealer operations.

Howard Lorber is chairman of the board of directors of Hallman & Lorber Associates, Inc., a private consulting and actuarial firm, and related entities, which receive commissions from insurance policies written for us. These commissions amounted to approximately $48 in 2003.

Several members of the immediate families of our executive officers and directors are employed as registered representatives of Ladenburg. As such, they receive a percentage of commissions generated from customer accounts for which they are designated account representatives and are eligible to receive bonuses in the discretion of management. The arrangements we have with these individuals are similar to the arrangements we have with our other registered representatives. Richard Sonkin, the brother-in-law of Richard J. Rosenstock, received approximately $248 in compensation during 2003. Steven Zeitchick, the brother of Mark Zeitchick, received $329 in compensation during 2003. It is anticipated that each of these individuals will receive in excess of $60 in compensation from us in 2004.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

AUDIT FEES

For the fiscal years ended December 31, 2003 and 2002, the aggregate fees billed for professional services rendered by our principal accountant for the audit of our annual financial statements and review of financial statements included in our quarterly reports on Form 10-Q or services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for those fiscal years were $178 and $150, respectively.

AUDIT-RELATED FEES

For the fiscal years ended December 31, 2003 and 2002, the aggregate fees billed for assurance and related services by our principal accountant that are reasonably related to the performance of the audit or review of our financial statements and are not reported under the paragraph entitled "Audit Fees" above were $34 and $41, respectively. These fees were for the audit of our 401(k) retirement plan and the audit and tax returns of the Ladenburg Focus Fund, L.P.

TAX FEES

For the fiscal years ended December 31, 2003 and 2002, the aggregate fees billed for professional services rendered by our principal accountant for tax compliance, tax advice, and tax planning were $35 and $54, respectively. The services performed include the preparation of our federal, state and local income tax returns for the fiscal years ended September 30, 2003 and 2002, and federal net operating loss carryback returns.

ALL OTHER FEES

For the fiscal years ended December 31, 2003 and 2002, the aggregate fees billed for products and services provided by our principal accountant, other than the services reported above were $9 and $-0-, respectively. The services performed were agreed upon procedures relating to Ladenburg's compliance with the anti-money laundering requirements of the PATRIOT Act of 2001.

AUDIT COMMITTEE PRE-APPROVAL POLICIES AND PROCEDURES

In accordance with Section 10A(i) of the Securities Exchange Act of 1934, before we engage our independent accountant to render audit or non-audit services, the engagement is approved by our audit committee. Our audit committee approved all of the fees referred to in the sections entitled "Audit Fees," Audit-Related Fee," "Tax Fees" and "All Other Fees" above.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a)(1): Index to 2003 Consolidated Financial Statements

The Consolidated Financial Statements and the Notes thereto, together with the report thereon of Eisner LLP dated February 5, 2004, 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 is a list of exhibits filed herewith as part of this Annual Report on Form 10-K.

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE FROM DOCUMENT	NO. IN DOCUMENT	PAGE
<S>	<C>	<C>	<C>	<C>
2.1	Agreement and Plan of Merger, dated May 27, 1999	A	2.1	-
3.1	Articles of Incorporation	B	3.1	-
3.2	Articles of Amendment to the Articles of Incorporation, dated August 24, 1999	C	3.2	-
3.3	Bylaws	B	3.2	-
4.1	Form of common stock certificate	B	4.1	-
4.2	Form of Warrant Agreement between the Company and Cardinal Capital Management, Inc. (including the form of Warrant Certificate).	B	4.2	-
4.3	Form of Senior Convertible Promissory Note, as amended, dated May 7, 2001, issued to New Valley Capital Corporation and Berliner Effektengesellschaft AG	D	4.2	-
4.4	Senior Convertible Promissory Note, as amended, dated May 7, 2001, issued to Frost-Nevada, Limited Partnership	D	4.3	-
4.5	Promissory Note, dated March 27, 2002, issued to New Valley Corporation	E	4.1	-
10.1	Agreement of Lease, dated December 20, 1996, between the Company and Briarcliffe College, Inc.	C	10.1	-
10.2	Standard Form of Office Lease, dated August 3, 1999, between the Company and Mayore Estates LLC and 80 Lafayette LLC, together with Amendment, dated August 19, 1999.	C	10.2	-

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE FROM DOCUMENT	NO. IN DOCUMENT	PAGE
<S>	<C>	<C>	<C>	<C>
10.3	Amended and Restated 1999 Performance Equity Plan*	F	10.1	-
10.4	Annual Incentive Bonus Plan*	G	Exhibit "D"	-
10.5	Special Performance Incentive Plan*	G	Exhibit "E"	-
10.6	Form of Employment Agreement, dated August 24, 1999, between the Company and certain employees*	G	Exhibit "F"	-
10.6.1	Schedule of Employment Agreements in the form of Exhibit 10.7, including material detail in which such documents differ from Exhibit 10.7*	C	10.7.1	-
10.7	Form of Stock Option Agreement, dated August 24, 1999, between the Company and certain employees*	H	10.8	-
10.7.1	Schedule of Stock Option Agreements in the form of Exhibit 10.8, including material detail in which such documents differ from Exhibit 10.7*	H	10.8.1	-
10.8	Form of Stock Option Agreement, dated December 13, 1999, between the Company and certain directors*	H	10.9	-
10.8.1	Schedule of Stock Option Agreements in the form of Exhibit 10.9, including material detail in which such documents differ from Exhibit 10.9*	H	10.9.1	-
10.9	Form of Stock Option Agreement, dated December 13, 1999, between the Company and Diane	H	10.10	-

	Chillemi*			
10.10	Stock Purchase Agreement, dated February 8, 2001, by and among the Company, New Valley Corporation, New Valley Capital Corporation, Berliner Effektengesellschaft AG and Ladenburg Thalmann & Co. Inc.	I	Appendix A	-
10.11	Proxy and Voting Agreement, dated as of February 8, 2001, among New Valley Corporation, Ladenburg Thalmann Group Inc., Berliner Effektengesellschaft AG, the Company and the individual shareholders listed on Schedule A attached thereto	I	Appendix E	-

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<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE FROM DOCUMENT	NO. IN DOCUMENT	PAGE
<S>	<C>	<C>	<C>	<C>
10.12	Loan Agreement, dated as of February 8, 2001, between the Company and Frost-Nevada, Limited Partnership	I	Appendix C	-
10.13	Investor Rights Agreement, dated as of February 8, 2001, among the Company, New Valley Corporation, New Valley Capital Corporation, Berliner Effektengesellschaft AG, Frost-Nevada, Limited Partnership and the Principals	I	Appendix G	-
10.14	Form of Pledge and Security Agreement, dated as of February 8, 2001, between the Company, Ladenburg Thalmann Group Inc., Berliner Effektengesellschaft AG, Frost-Nevada, Limited Partnership and U.S. Bank Trust National Association	J	10.2	-
10.15	Employment Agreement, dated as of February 8, 2001, between Ladenburg Thalmann & Co. Inc. and Victor Rivas*	J	10.3	-
10.16	First Amendment to the Employment Agreement, dated August 24, 1999, between the Company, Ladenburg Capital Management Inc. and Joseph Berland*	J	10.4	-
10.17	First Amendment to the Employment Agreement, dated August 24, 1999, between the Company, Ladenburg Capital Management Inc. and Richard J. Rosenstock*	J	10.5	-
10.18	First Amendment to the Employment Agreement, dated August 24, 1999, between the Company, Ladenburg Capital Management Inc. and Vincent A. Mangone*	J	10.6	-
10.19	First Amendment to the Employment Agreement, dated August 24, 1999, between the Company, Ladenburg Capital Management Inc. and Mark Zeitchick*	J	10.7	-
10.20	First Amendment to the Employment Agreement, dated August 24, 1999, between the Company, Ladenburg Capital Management Inc. and David Thalheim*	J	10.8	-
10.21	Form of Guarantee Agreement, dated February 8, 2001, between (A) each of (i) Joseph Berland, (ii) Richard J. Rosenstock, (iii) Vincent A. Mangone, (iv) Mark Zeitchick and (v) David Thalheim and (B) the Company	J	10.9	-

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<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE FROM DOCUMENT	NO. IN DOCUMENT	PAGE
<S>	<C>	<C>	<C>	<C>
10.22	Amendment No. 1 to Stock Purchase Agreement, dated February 8, 2001, by and among the Company, New Valley Corporation, New Valley Capital Corporation, Berliner Effektengesellschaft AG and Ladenburg Thalmann	K	Appendix A	-

	& Co. Inc.			
10.23	Amendment No. 1 to Loan Agreement, dated as of February 8, 2001, between the Company and Frost-Nevada, Limited Partnership	K	Appendix C	-
10.24	Second Amendment to the Employment Agreement, dated August 24, 1999, between the Company, Ladenburg Capital Management Inc. and David Thalheim*	L	10.2	-
10.25	Stock Option Agreement, dated May 7, 2001, between the Company and Victor M. Rivas*	M	10.1	-
10.26	Stock Option Agreement, dated as of May 7, 2001, between the Company and David Thalheim*	M	10.2	-
10.27	Form of Stock Option Agreement, dated as of May 7, 2001, between the Company and certain directors	M	10.3	-
10.27.1	Schedule of Stock Option Agreements in the form of Exhibit 10.31, including material detail in which such documents differ from Exhibit 10.31	M	10.3.1	-
10.28	Amendment No. 2 to Stock Purchase Agreement, dated February 8, 2001, by and among the Company, New Valley Corporation, New Valley Capital Corporation, Berliner Effektengesellschaft AG and Ladenburg Thalmann & Co. Inc.	D	4.1	-
10.29	Amendment No. 2 to Loan Agreement, dated as of February 8, 2001, between the Company and Frost-Nevada, Limited Partnership	D	10.1	-
10.30	Second Amendment to the Employment Agreement, dated August 24, 1999, as amended, between the Company, Ladenburg Capital Management Inc. and Richard J. Rosenstock*	D	10.2	-

</TABLE>

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<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE FROM DOCUMENT	NO. IN DOCUMENT	PAGE
<S>	<C>	<C>	<C>	<C>
10.31	Second Amendment to the Employment Agreement, dated August 24, 1999, as amended, between the Company, Ladenburg Capital Management Inc. and Mark Zeitchick*	D	10.3	-
10.32	Second Amendment to the Employment Agreement, dated August 24, 1999, as amended, between the Company, Ladenburg Capital Management Inc. and Vincent A. Mangone*	D	10.4	-
10.33	Second Amendment to the Employment Agreement, dated August 24, 1999, as amended, between the Company, Ladenburg Capital Management Inc. and Joseph Berland*	D	10.5	-
10.34	Form of Warrant issued to New Valley Corporation and Frost-Nevada, Limited Partnership	D	10.6	-
10.35	Letter Amendment to Investor Rights Agreement, dated as of February 8, 2001, among the Company, New Valley Corporation, New Valley Capital Corporation, Berliner Effektengesellschaft AG, Frost-Nevada, Limited Partnership and the Principals	D	10.7	-
10.36	Stock Option Agreement, dated as of January 10, 2002, between the Company and Richard J. Lampen	N	10.2	-
10.37	Form of Stock Option Agreement, dated January 10, 2002, between the Company and each of Victor M. Rivas, Richard J. Rosenstock, Mark Zeitchick and Vincent A. Mangone*	N	10.3	-
10.37.1	Schedule of Stock Option Agreements in the form of Exhibit 10.41, including material detail in which such documents differ from Exhibit 10.41*	N	10.3.1	-
10.38	Ladenburg Thalmann Financial Services Inc. Qualified Employee Stock Purchase Plan	F	10.2	-

10.39	Letter Agreement, dated October 10, 2002, between the Company and Victor M. Rivas	F	10.3	-
10.40	Letter Agreement, dated October 10, 2002, between the Company and Richard J. Rosenstock	F	10.4	-

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE FROM DOCUMENT	NO. IN DOCUMENT	PAGE
<S>	<C>	<C>	<C>	<C>
10.41	Letter Agreement, dated October 10, 2002, between the Company and Mark Zeitchick	F	10.5	-
10.42	Letter Agreement, dated October 10, 2002, between the Company and Vincent A. Mangone	F	10.6	-
10.43	Third Amendment to the Employment Agreement, dated August 24, 1999, as amended, between the Company, Ladenburg Capital Management Inc. and Richard J. Rosenstock*	O	10.47	-
10.44	Form of Stock Option Agreement, dated November 15, 2002, between the Company and each of Bennett S. LeBow, Howard M. Lorber, Henry C. Beinstein, Robert J. Eide and Richard J. Lampen*	O	10.48	-
10.44.1	Schedule of Stock Option Agreements in the form of Exhibit 10.48, including material detail in which such documents differ from Exhibit 10.48*	O	10.48.1	-
10.45	Form of Stock Option Agreement, dated September 17, 2003, between the Company and each of Howard M. Lorber, Henry C. Beinstein, Robert J. Eide and Richard J. Lampen*	P	10.1	--
10.45.1	Schedule of Stock Option Agreements in the form of Exhibit 10.49, including material detail in which such documents differ from Exhibit 10.49*	P	10.1.1	--
10.46	Stock Option Agreement, dated December 17, 2003, between the Company and Salvatore Giardina*	--	--	Filed Herewith
10.47	Third Amendment to the Employment Agreement, dated August 24, 1999, as amended, between the Company, Ladenburg Capital Management Inc. and Mark Zeitchick*	--	--	Filed Herewith
10.48	Third Amendment to the Employment Agreement, dated August 24, 1999, as amended, between the Company, Ladenburg Capital Management Inc. and Vincent A. Mangone*	--	--	Filed Herewith

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE FROM DOCUMENT	NO. IN DOCUMENT	PAGE
<S>	<C>	<C>	<C>	<C>
10.49	Employment Agreement, dated March 1, 2004, between Ladenburg Thalmann & Co. Inc. and Salvatore Giardina*	--	--	Filed Herewith
10.50	Severance, Waiver and Release Agreement, dated as of March 9, 2004, between Ladenburg Thalmann Financial Services Inc. and Victor M. Rivas *	--	--	Filed Herewith
10.51	Employment Agreement, dated as of March 9, 2004, between Ladenburg Thalmann Financial Services Inc. and Charles I. Johnston *	--	--	Filed Herewith
10.52	Stock Option Agreement, dated as of March 9, 2004, between Ladenburg Thalmann Financial Services Inc. and Charles I. Johnston *	--	--	Filed Herewith
10.53	Stock Option Agreement, dated as of March 9, 2004, between Ladenburg Thalmann Financial Services Inc. and Charles I. Johnston *	--	--	Filed Herewith

10.54	Indemnification Agreement, dated as of March 9, 2004, between Ladenburg Thalmann Financial Services Inc. and Charles I. Johnston*	--	--	Filed Herewith
10.55	Debt Conversion Agreement, dated as of March 29, 2004, among Ladenburg Thalmann Financial Services Inc., a Florida corporation, New Valley Corporation and Frost-Nevada Investments Trust	--	--	Filed Herewith
10.56	Note Purchase Agreement, dated as of March 29, 2004, among Ladenburg Thalmann Financial Services Inc. and Berliner Effektengesellschaft AG	--	--	Filed Herewith
14	Ladenburg Thalmann Financial Services Inc. Code of Business Conduct and Ethics	-	-	Filed Herewith
21	List of Subsidiaries	-	-	Filed Herewith
23.1	Consent of Eisner LLP	-	-	Filed Herewith
23.2	Consent of PricewaterhouseCoopers LLP	-	-	Filed Herewith
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	-	-	Filed Herewith

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE FROM DOCUMENT	NO. IN DOCUMENT	PAGE
<S>	<C>	<C>	<C>	<C>
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	-	-	Filed Herewith
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	-	-	Filed Herewith
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	-	-	Filed Herewith

</TABLE>

- ----------

A. Quarterly report on Form 10-QSB filed on August 16, 1999.

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

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

D. Current report on Form 8-K/A, dated February 8, 2001 and filed with the SEC on September 10, 2001.

E. Quarterly report on Form 10-Q for the quarter ended March 31, 2002.

F. Quarterly report on Form 10-Q for the quarter ended September 30, 2002.

G. Definitive proxy statement relating to a special meeting of shareholders held on August 23, 1999.

H. Annual report on Form 10-K for the year ended September 30, 2000.

I. Definitive proxy statement relating to our annual meeting of shareholders held on May 7, 2001, filed March 28, 2001, as supplemented on April 2, 2001 and April 26, 2001.

J. Current report on Form 8-K, dated February 8, 2001 and filed with the SEC on February 21, 2001.

K. Second supplement to our definitive proxy statement dated April 26, 2001.

L. Current report on Form 8-K/A, dated February 8, 2001 and filed with the SEC on May 1, 2001.

M. Quarterly report on Form 10-Q for the quarter ended June 30, 2001.

N. Registration statement on Form S-3 (File No. 333-81964).

O. Annual report on Form 10-K for the year ended December 31, 2003.

P. Quarterly report on Form 10-Q for the quarter ended September 30, 2003.

* Management Compensation Contract

(b) Reports on Form 8-K.

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 30, 2004

By: /s/ Victor M. Rivas

Name: Victor M. Rivas
Title: President and Chief Executive Officer

POWER OF ATTORNEY

The undersigned directors and officers of Ladenburg Thalmann Financial Services Inc. hereby constitute and appoint Howard M. Lorber, Victor M. Rivas and Salvatore Giardina, 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 30, 2004.

SIGNATURES	TITLE
/s/ Victor M. Rivas - ---------- Victor M. Rivas	President and Chief Executive Officer (Principal Executive Officer)
/s/ Salvatore Giardina - ---------- Salvatore Giardina	Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ Henry C. Beinstein - ---------- Henry C. Beinstein	Director
/s/ Robert J. Eide - ---------- Robert J. Eide	Director
/s/ Richard J. Lampen - ---------- Richard J. Lampen	Director
/s/ Howard M. Lorber - ---------- Howard M. Lorber	Director
/s/ Vincent A. Mangone - ---------- Vincent A. Mangone	Director

/s/ Richard J. Rosenstock
- ------------------------------ Director
Richard J. Rosenstock

/s/ Mark Zeitchick
- ------------------------------ Director
Mark Zeitchick

LADENBURG THALMANN FINANCIAL SERVICES INC.
FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2003
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 16(a) (1) and (2) are listed below:

FINANCIAL STATEMENTS:

<TABLE>
<CAPTION>

</TABLE>

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial condition of Ladenburg Thalmann Financial Services Inc. and its subsidiaries (the "Company") as of December 31, 2003 and 2002, and the related consolidated statements of operations, changes in shareholders' equity (capital deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ladenburg Thalmann Financial Services Inc. and its subsidiaries as of December 31, 2003 and 2002 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4 to the consolidated financial statements, effective January 1, 2002, the Company adopted Statement of Financial Standards No. 142, "Goodwill and Other Intangible Assets".

/s/ Eisner LLP

Eisner LLP
New York, New York
February 5, 2004, except for the fifth and sixth paragraphs of Note 13, as to which the date is March 29, 2004

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying consolidated statements of operations, changes in shareholders' equity (capital deficit) and cash flows present fairly, in all material respects, the results of operations and cash flows of Ladenburg Thalmann Financial Services Inc. and its subsidiaries (the "Company") for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
New York, New York
March 22, 2002

LADENBURG THALMANN FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(DOLLARS IN THOUSANDS, EXCEPT SHARE AMOUNTS)

<TABLE>
<CAPTION>

	December 31,	
	2003	2002
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 3,648	$ 11,752
Trading securities owned	1,013	4,365
Due from affiliates	--	60
Receivables from clearing brokers	21,245	11,378
Assets of limited partnership	6,472	4,936
Exchange memberships owned, at historical cost	1,505	1,505
Furniture, equipment and leasehold improvements, net	4,828	8,087
Restricted assets	1,063	1,054
Income taxes receivable	--	2,224
Other assets	4,363	3,429
Total assets	$ 44,137	$ 48,790
LIABILITIES AND SHAREHOLDERS' CAPITAL DEFICIT		
Securities sold, but not yet purchased	$ 4,070	$ 1,218
Accrued compensation	2,502	3,268
Accounts payable and accrued liabilities	8,510	11,296
Liabilities of limited partnership	3,230	288
Deferred rent credit	5,817	6,589
Accrued interest	1,999	788
Accrued interest to former parent	1,545	634
Notes payable	7,000	8,500

Senior convertible notes payable	20,000	20,000
Subordinated note payable	2,500	2,500
Total liabilities	57,173	55,081
Commitments and contingencies	--	--
Limited partners' interest in limited partnership	3,136	4,603
Shareholders' capital deficit:		
Preferred stock, $.0001 par value; 2,000,000 shares authorized; none issued	--	--
Common stock, $.0001 par value; 200,000,000 shares authorized; shares issued and outstanding, 43,627,130 and 42,025,211	4	4
Additional paid-in capital	56,685	56,473
Accumulated deficit	(72,861)	(67,371)
Total shareholders' capital deficit	(16,172)	(10,894)
Total liabilities and shareholders' capital deficit	$ 44,137	$ 48,790

</TABLE>

See accompanying notes to consolidated financial statements

LADENBURG THALMANN FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	For the Year Ended December 31,		
	2003	2002	2001
<S>	<C>	<C>	<C>
REVENUES:			
Commissions	$ 42,376	$ 49,796	$ 39,756
Principal transactions, net	5,159	10,591	30,662
Investment banking fees	2,804	9,141	11,698
Investment advisory fees	2,459	2,736	2,696
Interest and dividends	1,773	2,381	4,100
Syndications and underwritings	251	258	652
Other income	6,575	4,670	4,389
Total revenues	61,397	79,573	93,953
EXPENSES:			
Compensation and benefits	40,671	56,876	62,741
Brokerage, communication and clearance fees	5,262	14,733	16,082
Rent and occupancy	5,757	9,708	6,658
Professional services	3,982	5,029	3,130
Interest	2,225	2,043	1,666
Depreciation and amortization	1,190	1,999	2,538
Impairment of goodwill	--	18,762	--
Write-off of furniture, fixtures and leasehold improvements, net	779	1,394	--
Other	6,799	14,481	13,387
Total expenses	66,665	125,025	106,202
Loss before income taxes and limited partners' interest	(5,268)	(45,452)	(12,249)
Limited partners' interest in (earnings) loss of limited partnership	(152)	459	--
Loss before income taxes	(5,420)	(44,993)	(12,249)
Income taxes	70	1,400	44
Net loss	$ (5,490)	$ (46,393)	$ (12,293)

Net loss per Common Share (basic and diluted)	$ (0.13)	$ (1.10)	$ (0.31)
Number of shares used in computation (basic and diluted)	42,567,798	42,025,211	39,458,057

</TABLE>

See accompanying notes to consolidated financial statements

LADENBURG THALMANN FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY (CAPITAL DEFICIT)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	Common Stock	Paid-in Capital	Accumulated Deficit	Total
<S>	<C>	<C>	<C>	<C>
Balance, December 31, 2000	$ 2	$ 38,983	$ (8,685)	$ 30,300
Net loss	--	--	(12,293)	(12,293)
Issuance of warrants to note holders	--	154	--	154
Effect of LTS Acquisition	2	17,031	--	17,033
Balance, December 31, 2001	4	56,168	(20,978)	35,194
Employee compensation	--	305	--	305
Net loss	--	--	(46,393)	(46,393)
Balance, December 31, 2002	4	56,473	(67,371)	(10,894)
Issuance of common stock	--	212	--	212
Net loss	--	--	(5,490)	(5,490)
Balance, December 31, 2003	$ 4	$ 56,685	$(72,861)	$(16,172)

</TABLE>

See accompanying notes to consolidated financial statements

LADENBURG THALMANN FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	For the Year Ended December 31,		
	2003	2002	2001
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	$ (5,490)	$(46,393)	$(12,293)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,190	1,999	2,538
Write-off of furniture, fixtures and leasehold improvements, net	779	1,394	--
Amortization of (adjustment to) deferred rent credit	40	(600)	450
Deferred taxes	--	3,339	1,397
Impairment of goodwill	--	18,762	--
Loss on disposal of fixed assets	3	--	--
Accrued interest	2,122	--	--
Forgiveness of promissory note payable....	(1,500)	--	--
Employee compensation	--	305	--
Issuance of warrants to note holders	--	--	154

Limited partners' interest in limited partnership	152	(459)	--
(Increase) decrease in operating assets:			
Trading securities owned	3,352	12,959	3,843
Receivables from clearing brokers	(9,867)	16,542	(9,602)
Assets of limited partnership	(1,536)	3,544	--
Due from affiliates	60	176	--
Income taxes receivable	2,224	(1,725)	--
Other assets	(25)	4,643	1,512
Increase (decrease) in operating liabilities:			
Securities sold, but not yet purchased	2,852	(11,186)	5,434
Accrued compensation	(766)	(7,810)	3,561
Accounts payable and accrued liabilities	(2,786)	4,476	(75)
Liabilities of limited partnership	2,942	(361)	--
Payable to former parent and affiliate	--	200	385
NET CASH USED IN OPERATING ACTIVITIES	(6,254)	(195)	(2,696)
Cash flows from investing activities:			
Purchases of furniture, equipment and leasehold improvements	(527)	(1,521)	(2,735)
Net proceeds from sale of equipment	93	--	--
Cash received in LTS acquisition	--	--	5,151
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(434)	(1,521)	2,416
Cash flows from financing activities:			
(Increase) decrease in restricted assets	(9)	1,556	(12)
Issuance of common stock	212	--	--
Payments to Ladenburg stockholders	--	--	(10,000)
Issuance of subordinated notes payable	--	2,500	2,500
Issuance of other notes payable	--	10,500	2,000
Convertible note proceeds	--	--	10,000
Repayment of subordinated note payable	--	(2,500)	--
Repayment of other notes payable	--	(4,000)	--
Distributions to limited partners	(1,801)	(2,969)	--
Contributions from limited partners	182	245	--
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(1,416)	5,332	4,488
Net (decrease) increase in cash and cash equivalents	(8,104)	3,616	4,208
Cash and cash equivalents, beginning of year	11,752	8,136	3,928
Cash and cash equivalents, end of year	$ 3,648	$ 11,752	$ 8,136

</TABLE>

See accompanying notes to consolidated financial statements

LADENBURG THALMANN FINANCIAL SERVICES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	For the Year Ended December 31,		
	2003	2002	2001
<S>	<C>	<C>	<C>
Supplemental cash flow information:			
Interest paid	$ 103	$ 1,018	$ 246
Taxes paid	317	206	337
Supplemental disclosure of non-cash activity:			
Detail of acquisition:			
Assets acquired, including cash	$ --	$ --	$ 26,619
Goodwill	--	--	19,385
Liabilities assumed, including minority interest	--	--	(23,820)
Increase to paid in capital	--	--	(17,033)
Cash paid	$ --	$ --	--
Net cash received in acquisition	$ --	$ --	$ 5,151

</Table>

See accompanying notes to consolidated financial statements

LADENBURG THALMANN FINANCIAL SERVICES INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

1. PRINCIPLES OF REPORTING

The consolidated financial statements include the accounts of Ladenburg Thalmann Financial Services Inc. ("LTS" or the "Company"), formerly known as GBI Capital Management Corp., and its subsidiaries, all of which are wholly-owned. The subsidiaries of LTS include, among others, Ladenburg Thalmann & Co. Inc. ("Ladenburg"), Ladenburg Capital Management Inc., formerly known as GBI Capital Partners Inc. ("Ladenburg Capital"), Ladenburg Thalmann Europe, Ltd. and Ladenburg Capital Fund Management Inc., formerly known as GBI Fund Management Corp. ("LCFM"). All significant intercompany balances and transactions have been eliminated.

Ladenburg is a registered broker-dealer in securities that clears its customers' transactions through correspondent clearing brokers on a fully disclosed basis. In November 2002, Ladenburg Capital, until it voluntarily filed to withdraw its license in November 2002, which withdrawal became effective in January 2004, also operated as a broker-dealer in securities. Broker-dealer activities include principal and agency trading and investment banking and underwriting activities. The Company's other subsidiaries primarily provide asset management services.

Prior to May 7, 2001, Ladenburg Capital and LCFM were the only subsidiaries of the Company. On May 7, 2001, LTS acquired all of the outstanding common stock of Ladenburg, and its name was changed from GBI Capital Management Corp. to Ladenburg Thalmann Financial Services Inc. As part of the consideration for the shares of Ladenburg, LTS issued the former stockholders of Ladenburg a majority interest in LTS common stock. For accounting purposes, the acquisition has been accounted for as a reverse acquisition with Ladenburg treated as the acquirer of LTS. The historical financial statements prior to May 7, 2001 are those of Ladenburg, and LTS has changed its fiscal year-end from September 30 to December 31. For a more complete discussion of this transaction, including pro forma information giving effect to the acquisition as if it took place on January 1, 2000, see Note 3 to these consolidated financial statements.

Ladenburg was an indirect wholly-owned subsidiary of New Valley Corporation ("New Valley") until December 23, 1999, when a minority stake in Ladenburg was sold leaving New Valley with an indirect 80.1% ownership interest. On December 21, 2001, New Valley distributed its shares of LTS common stock to holders of New Valley common shares as a special dividend. (See Note 3.)

LCFM is the sole general partner of the Ladenburg Focus Fund, L.P., an open-ended private investment fund that invests its capital in publicly traded equity securities and options strategies. Through December 31, 2002, the Company accounted for its investment in the limited partnership using the equity method. Commencing in 2003, due to the controlling voting interest of LCFM, the accounts of the limited partnership were consolidated with the Company's accounts. In addition, the 2002 financial statements were adjusted to reflect the consolidation of the limited partnership. This adjustment had no effect on the capital deficit at December 31, 2002, or the net loss for the two year period then ended, as previously reported.

The assets of the limited partnership consist principally of a receivable from clearing broker of $6,469 and $4,864 as of December 31, 2003 and 2002, respectively. The liabilities of the limited partnership consist principally of securities sold, but not yet purchased of $3,215 and $116 as of December 31, 2003 and 2002, respectively..

In addition to the above, certain reclassifications have been made to prior period financial information to conform to the current period presentation.

ORGANIZATION

Ladenburg is a full service broker-dealer that has been a member of the New York Stock Exchange ("NYSE") since 1879. Ladenburg clears its customers' transactions through a correspondent clearing broker on a fully disclosed basis. Broker-dealer activities include principal and agency trading and investment banking and underwriting activities. Ladenburg provides its services principally for middle market and emerging growth companies and high net worth individuals through a coordinated effort among corporate finance, capital markets, investment management, brokerage and trading professionals. Ladenburg is subject to regulation by the Securities and Exchange Commission ("SEC"), the NYSE, National Association of Securities Dealers, Inc. ("NASD"), Commodities Futures Trading Commission and National Futures Association. See Notes 6 and 13.

Ladenburg Capital previously operated as a broker-dealer subject to regulation by the SEC and the NASD. Ladenburg Capital acted as an introducing broker, market maker, underwriter and trader for its own account. In July 2002, the market making activities of Ladenburg Capital were terminated. Certain employees working in Ladenburg Capital's market making area were offered employment with Ladenburg. In November 2002, Ladenburg Capital terminated its remaining broker-dealer operations but continues with its other line of business. Ladenburg Capital voluntarily filed to withdraw as a broker-dealer at that time, which withdrawal became

effective at January 2004. In conjunction with providing employment to certain former Ladenburg Capital brokers, Ladenburg agreed to and is currently servicing these brokers' customer accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company considers all highly liquid financial instruments with an original maturity of less than three months to be cash equivalents.

Securities owned and securities sold, but not yet purchased, which are traded on a national securities exchange or listed on Nasdaq are valued at the last reported sales prices of the year. Futures contracts are also valued at their last reported sales price. Securities owned, which have exercise or holding period restrictions, are valued at fair value as determined by the Company's management. Unrealized gains and losses resulting from changes in valuation are reflected in net gain on principal transactions.

Principal transactions, agency commissions and related clearing expenses are recorded on a trade-date basis.

Investment banking revenues include fees earned from providing merger-and-acquisition and financial restructuring advisory services and from private and public offerings of debt and equity securities. Investment banking fees are recorded upon the closing of the transaction, when it can be determined that the fees have been irrevocably earned.

Investment advisory fees are received quarterly, in advance, but are recognized as earned on a pro rata basis over the term of the contract.

Dividends are recorded on an ex-dividend date basis and interest is recorded on an accrual basis.

Ladenburg and its former subsidiaries were included in the consolidated federal income tax return filed by New Valley prior to May 7, 2001 and are included in the consolidated federal income tax return and certain combined state and local income tax returns filed by LTS commencing May 8, 2001. According to the tax sharing agreement formerly in effect with New Valley, federal income taxes were calculated as if the companies filed on a separate return basis and the amount of current tax or benefit calculated was either remitted to or received from the former parent. The amount of current and deferred taxes payable or refundable is recognized

as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. As of December 31, 2003 and December 31, 2002, the valuation allowance was $20,638 and $17,409, respectively.

Depreciation of furniture and equipment 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.

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", and No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, establishes specific criteria for the recognition of intangible assets separately from goodwill, and requires unallocated negative goodwill to be written off. SFAS No. 142 primarily addresses the accounting for goodwill and intangible assets subsequent to their acquisition. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. Upon the adoption of SFAS No. 142, effective January 1, 2002, goodwill was subjected to periodic assessments of impairment and no longer being amortized. In 2002 the Company recorded an impairment charge of $18,762 of goodwill. (See Note 4.)

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", and requires (i) the recognition and measurement of the impairment of long-lived assets to be held and used and (ii) the measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The adoption of this statement in 2002 did not result in a material impact on the Company's financial position or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs

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Associated with Exit or Disposal Activities". The Company early adopted SFAS No. 146 during the fourth quarter of 2002 and applied its provisions to leased premises which were vacated during such period. Under SFAS No. 146, a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred. For operating leases, a liability for costs that will continue to be incurred under the lease for its remaining term without economic benefit to the entity shall be recognized and measured at its fair value when the entity ceases using the right conveyed by the lease (the "cease-use date"). The fair value of the liability at the "cease-use date" shall be determined based on the remaining lease rentals, reduced by estimated sublease rentals that could be reasonably obtained for the property. (See Note 9.)

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation", to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock- based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company has adopted the disclosure requirements of SFAS No. 148.

SFAS No. 123, "Accounting for Stock-Based Compensation," allows the use of the fair value based method of accounting for stock-based employee compensation. Alternatively, SFAS No. 123 allows entities to continue to apply the intrinsic value method prescribed by Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations and provide pro forma disclosures of net income (loss) and income (loss) per share, as if the fair value based method of accounting had been applied to employee awards. As permitted by SFAS No. 123, the Company continues to account for such compensation under APB No. 25 and related interpretations, pursuant to which no compensation cost has been recognized in connection with the issuance of stock options, as all options granted under the employee incentive plan had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on the Company's net loss for the years ended December 31, 2003, 2002 and 2001 had the Company elected to recognize compensation expense for the stock option plan, consistent with the method prescribed by SFAS No. 123.

<TABLE>
<CAPTION>

	2003	2002	2001
<S>	<C>	<C>	<C>
Net loss, as reported	$ (5,490)	$(46,393)	$(12,293)
Stock-based employee compensation determined under the fair value based method	(1,517)	(3,554)	(998)
Pro forma net loss	$ (7,007)	$(49,947)	$(13,291)
Net loss per Common Share (basic and diluted), as reported	$ (0.13)	$ (1.10)	$ (0.31)
Pro forma net loss per Common Share (basic and diluted)	$ (0.16)	$ (1.19)	$ (0.32)

</TABLE>

The per share weighted average fair value of stock options granted during 2003, 2002 and for the period May 7, 2001 through December 31, 2001 (see Note 3) of $0.44, $0.73 and $2.61, respectively, was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

<TABLE>
<CAPTION>

	2003	2002	2001
<S>	<C>	<C>	<C>
Risk free interest rate	4.27%	4.45%	4.88%
Volatility	102.48%	135.00%	83.58%
Dividend yield	0	0	0
Expected lives	10 years	10 years	10 years

</TABLE>

3. LADENBURG TRANSACTION

On May 7, 2001, LTS consummated a stock purchase agreement (the

"Agreement") through which it acquired all of the outstanding common stock of Ladenburg from New Valley and Berliner Effektengesellschaft AG ("Berliner"), the former stockholders of Ladenburg. The primary reason for the acquisition was that both LTS and Ladenburg concluded that each company needed to enlarge the size of its business and the scope of services provided to maintain viability as a participant in the current financial markets. In order to acquire the stock of Ladenburg, LTS issued to New Valley and Berliner an aggregate of 23,218,599 shares of common stock and paid to them an aggregate of $10,000 cash and $10,000 principal amount of senior convertible promissory notes due December 31, 2005. The notes bear interest at the rate of 7.5% and are currently convertible into a total of 4,799,271 shares of common stock at a conversion price of approximately $2.08. The notes are secured by a pledge of Ladenburg stock. If, during any period of 20 consecutive trading days, the closing sale price of LTS's common stock is at least $8.00, the principal and all accrued interest on the notes will be automatically converted into shares of common stock. The notes also provide that if a change of control occurs, as defined in the notes, LTS must offer to purchase the notes at a purchase price equal to the unpaid principal amount of the notes and the accrued interest.

Upon closing, New Valley, the previous 80.1% owner of Ladenburg, acquired an additional 3,945,060 shares of LTS from the former chairman of LTS for $1.00 per share. Following completion of the transaction, the former stockholders of Ladenburg owned 64.6% and 59.9% of the common stock of LTS on a basic and fully diluted basis, respectively. On December 21, 2001, New Valley distributed its 22,543,158 shares of LTS common stock, a 53.6% interest, to holders of New Valley common shares through a special dividend. Following completion of the special dividend, New Valley continued to hold $8,010 principal amount of LTS's senior convertible promissory notes, convertible into 3,844,216 shares of LTS common stock, and a warrant to purchase 100,000 shares of LTS common stock at $1.00 per share.

To provide the funds for the acquisition of the common stock of Ladenburg, LTS borrowed $10,000 from Frost-Nevada, Limited Partnership ("Frost-Nevada") and issued to Frost-Nevada $10,000 principal amount of senior convertible promissory notes due December 31, 2005. Dr. Frost, a director of LTS from May 2002 until his resignation in July 2002, is the sole stockholder of the general partner of Frost-Nevada, Frost-Nevada Corporation. Dr. Frost, through several entities controlled by him, was also one of LTS's principal shareholders prior to the time that it became a public company in August 1999. The notes held by Frost-Nevada are identical to the notes held by New Valley and Berliner, except for the interest rate which is 8.5% per annum and the conversion price. The note is currently convertible into a total of 6,497,475 shares of common stock at a conversion price of approximately $1.54. These notes, together with the notes issued to the Ladenburg stockholders, are collateralized by a pledge of the Ladenburg stock. (See Note 13.) Following a final resolution of LTS's pre-closing litigation adjustments, it was determined that the number of shares of common stock paid to New Valley and Berliner and the conversion prices of the senior convertible promissory notes payable held by New Valley, Berliner and Frost-Nevada did not require adjustment.

Concurrently with the closing of the stock purchase agreement, New Valley purchased 3,945,060 shares of common stock at $1.00 per share from Joseph Berland, the former chairman and chief executive officer of LTS. Additionally, on the same date, Frost-Nevada purchased a total of 550,000 shares of common stock at $1.00 per share from Richard J. Rosenstock, LTS' former vice chairman and chief operating officer, Mark Zeitchick and Vincent Mangone, LTS' executive vice presidents and David Thalheim, LTS' former administrator.

As a result of the foregoing transactions, the former stockholders of Ladenburg directly or indirectly held shares or other equity instruments, representing 27,163,659 shares, or 64.6%, of LTS' common stock, and Frost-Nevada directly or indirectly held shares or other equity instruments, representing 7,935,441 shares, or 16.4%, of LTS' common stock.

Prior to the consummation of the acquisition, New Valley maintained office space at Ladenburg's principal offices. In connection with the consummation of the transaction, New Valley entered into a license agreement with Ladenburg in which New Valley will continue to occupy this space at no cost to New Valley. The license agreement is for one year and is automatically renewed for successive one-year periods unless terminated by New Valley. The space, which is not currently occupied by New Valley, has been subleased on a short-term basis by Ladenburg to an unaffiliated third party.

In connection with these transactions, Howard M. Lorber, president and chief operating officer of New Valley, became LTS' chairman. Additionally, Victor M. Rivas, chairman and chief executive officer of Ladenburg, became LTS' president and chief executive officer pursuant to an employment agreement with a term expiring in August 2004. In addition to these individuals, Bennett S. LeBow, Henry C. Beinstein, Robert J. Eide and Dr. Frost became members of LTS' board of directors in May 2001. Messrs. Lorber, Rivas, LeBow and Beinstein are also members of the board of directors of New Valley and Mr. Eide is a member of the board of directors

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of Vector Group Ltd., New Valley's parent.

Pursuant to the employment agreement with Mr. Rivas, Mr. Rivas is entitled to receive an annual base salary of $500, subject to periodic increases as determined by LTS' board of directors, as well as a minimum annual bonus of $500. Mr. Rivas is also entitled to participate in LTS' Annual Incentive Bonus Plan and Special Performance Incentive Plan in accordance with the terms of the plan and Mr. Rivas' employment agreement. Due to the current financial condition of the Company, Mr. Rivas voluntarily forfeited the accrued compensation due him under the Special Performance Incentive Plan for the period January 1, 2002 through August 31, 2002 and the balance of the compensation due him under this Plan for the remainder of the 2002 calendar year.

The shares of LTS common stock issued in the transaction were valued at May 7, 2001 at $1.75 per share. LTS' common stock is very thinly traded, and management considered a number of factors in addition to the average trading price one week before and after closing of the transaction ($3.03). These other factors included the purchase price of the shares concurrently purchased from LTS' executive officers, the terms of the

convertible notes and the value implied by the previous negotiations between the parties. No independent appraisal was obtained in connection with the transaction.

The transaction has been accounted for under the purchase method of accounting as a reverse acquisition. For accounting purposes, Ladenburg has been treated as the acquirer of LTS as Ladenburg's stockholders held a majority of the LTS common stock following the closing of the transaction. In determining the accounting treatment of the transaction, the Company considered the shares of common stock and the senior convertible promissory notes acquired by New Valley and Berliner on both a basic and fully diluted basis, and the number of outstanding options. Although New Valley later distributed its shares of common stock to its stockholders as described above, the Company determined that it was still appropriate to treat Ladenburg as the acquirer as New Valley's stockholders are in all practical matters the actual former stockholders of Ladenburg.

As a result of the reverse acquisition treatment, the historical financial statements prior to May 7, 2001 are those of Ladenburg and the financial results of LTS are included beginning May 7, 2001. LTS has changed its fiscal year-end from September 30 to December 31 to conform to the fiscal year-end of Ladenburg. In connection with the acquisition, all per share data have been restated to reflect retroactively the number of shares of common stock, convertible notes and cash to be received by the former stockholders of Ladenburg.

Under the purchase method of accounting, the assets acquired and liabilities assumed were recorded at estimated fair values as determined by management based on available information. Goodwill of $19,385 was recognized for the amount of the excess of the purchase price paid over the fair market value of the net assets acquired and was amortized during 2001 on the straight line basis over 20 years. The final allocation of the purchase price made during 2002 to the individual assets acquired and liabilities assumed did not differ from preliminary estimates of fair value reflected in the 2001 financial statements.

The allocation of the purchase price has been summarized in the following tables:

CALCULATION OF PURCHASE PRICE:

Common stock	$ 32,912
Stock options	1,422
Transaction costs	407
Total purchase price	$ 34,741

ALLOCATION OF PURCHASE PRICE:

Assets:	
LTS's assets	$ 26,619
Goodwill	19,385
Liabilities:	

LTS's liabilities	(11,263)
Total purchase price	$ 34,741

The following adjustments, which increased shareholders' equity by $17,033, were made to shareholders' equity to record the acquisition of LTS:

- an increase in paid-in capital of $32,912 relating to the deemed issuance of 18,806,612 shares of LTS common stock at $1.75 per share to existing LTS stockholders;
- an increase in shareholders' equity of $1,422 to recognize the value of 1,875,979 stock options outstanding at May 7, 2001 to LTS employees, based on a weighted average fair value of $0.76 per option. The fair value of the options was determined using the Black-Scholes option pricing model and was based on the following weighted-average assumptions: expected volatility of 85.93%; expected life of three years; a risk-free interest rate of 4.42%; and no expected dividend yield or forfeiture;
- an increase of $2,700 in shareholders' equity principally relating to net operating losses acquired from New Valley in connection with Ladenburg's deconsolidation from New Valley's consolidated federal income tax group; and
- a decrease of $20,000 in shareholders' equity relating to the issuance of $10,000 of convertible notes and the payment of $10,000 of cash to the former stockholders of Ladenburg.

Pro forma information, giving effect to the acquisition as if it took place on January 1, 2001 is presented below:

Year Ended December 31,	2001
Revenues	$ 112,855
Net loss	$ (16,873)
Net loss per Common Share	$ (0.40)

4. IMPAIRMENT OF GOODWILL

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets", which requires that goodwill and other intangible assets with indefinite useful lives no longer be amortized. This statement also requires that intangible assets with indefinite lives be tested for impairment as of the date of adoption. Additionally, SFAS No. 142 requires that goodwill be tested for impairment at the reporting unit level as of the date of adoption and that any goodwill impairment loss recognized as a result of initial application be reported as the effect of a change in accounting principle.

Prior to January 1, 2002, goodwill and other intangible assets were tested for impairment based on the recoverability of carrying value using undiscounted future cash flows. The new criteria provided in SFAS No. 142 require the testing of impairment based on fair value.

Prior to performing the review for impairment, SFAS No. 142 required that all goodwill deemed to be related to the entity as a whole be assigned to its reporting units, which differed from the previous accounting rules where goodwill was assigned only to the business of the acquired entity. As a result, a portion of the goodwill generated in the acquisition has been reallocated from Ladenburg Capital to Ladenburg (see Note 3).

A summary of the allocation by entity of the Company's goodwill, including the impairment charge discussed below, is as follows:

<TABLE>
<CAPTION>

	December 31, 2001				
	Gross	Accumulated Amortization	Net	Adjustments	December 31, 2002
<S>	<C>	<C>	<C>	<C>	<C>

Ladenburg.....	$ --	$ --	$ --	$ 5,546	$ 5,546
Ladenburg Capital....	19,385	(623)	18,762	(5,546)	13,216
	$19,385	$(623)	$18,762	$ --	$ 18,762
Impairment loss.....					$(18,762)
Total.....					$ --

</TABLE>

The goodwill of $19,385 arose as a result of the Ladenburg transaction on May 7, 2001. The following table reconciles net loss for the year ended December 31, 2001 to its amount adjusted to exclude previously recorded goodwill amortization expense.

	Year Ended December 31, 2001
Reported net loss.....	$ (12,293)
Goodwill amortization.....	623
Adjusted net loss.....	$ (11,670)
Reported net loss per share.....	$ (0.31)
Goodwill amortization.....	0.01
Adjusted net loss per share.....	$ (0.30)

For initial application of SFAS No. 142, in connection with the reporting of the results for the first quarter of 2002, an independent appraisal firm was engaged to value the Company's goodwill as of January 1, 2002. The appraiser valued the businesses using a weighted average of each unit's projected discounted cash flow, with a weighted average cost of capital of 17.40%, and a fair market approach (using market comparables for ten companies). The appraiser weighted the discounted cash flow for each unit at 70% and the fair market

approach at 30%. The discounted cash flow was based on management's projections of operating results at January 1, 2002. Based on this valuation, no goodwill impairment was indicated, since the fair value of the reporting units was determined to be greater than its carrying value.

Based on the overall market declines in the U.S. equity markets and the conditions prevailing in the broker-dealer industry during 2002, the Company completed an additional impairment review and recorded a $18,762 charge for the impairment of goodwill. The charge reflects overall market decline since the Ladenburg acquisition in May 2001. During this review, the same independent appraisal firm was engaged to value the Company's goodwill as of June 30, 2002. The appraiser valued the Company's businesses using a weighted average of each unit's projected discounted cash flow, with a weighted average cost of capital of 18.50%, and a fair market approach (using market comparables for ten companies). The appraiser weighted the discounted cash flow for each unit at 70% and the fair market approach at 30%. The discounted cash flow was based on management's revised projections of operating results at June 30, 2002. Based on this valuation, an impairment charge of $18,762 of goodwill was indicated and recorded.

5. SECURITIES OWNED AND SECURITIES SOLD, BUT NOT YET PURCHASED

The components of securities owned and securities sold, but not yet purchased as of December 31, 2003 and 2002 are as follows:

	Securities Owned	Securities Sold, But Not Yet Purchased
DECEMBER 31, 2003		
Common stock	$ 760	$4,065
Municipal obligations	56	--
Equity and index options	59	--
Corporate bonds	138	5
	$1,013	$4,070
DECEMBER 31, 2002		
Common stock	$4,210	$1,188
Equity and index options	--	--
Municipal obligations	33	--
Corporate bonds	122	30

(Dollars in thousands, except per share amounts)

(Dollars in thousands, except per share amounts)

$4,365	$1,218

As of December 31, 2003 and 2002 approximately $960 and $4,342, respectively, of the securities owned are deposited with the Company's clearing broker and pursuant to the agreement, the securities may be sold or re-hypothecated by the clearing broker.

6. NET CAPITAL REQUIREMENTS

As a registered broker-dealer, Ladenburg is subject to the SEC's Uniform Net Capital Rule 15c3-1 and the Commodity Futures Trading Commission's Regulation 1.17, which require the maintenance of minimum net capital. Ladenburg has elected to compute its net capital under the alternative method allowed by these rules. Effective June 13, 2003, Ladenburg's management decided to eliminate its market making activities. As a result, Ladenburg's minimum net capital requirement decreased from $1,000 to $250. At December 31, 2003, Ladenburg had net capital, as defined, of $6,745, which exceeded its minimum capital requirement of $250 by $6,495.

Ladenburg claims an exemption from the provisions of the SEC's Rule 15c3-3 pursuant to paragraph (k)(2)(ii) as it clears its customer transactions through its correspondent broker on a fully disclosed basis.

7. FINANCIAL INSTRUMENTS

The financial instruments of the Company and it subsidiaries are reported in the consolidated statements of financial condition at market or fair value or at carrying amounts that approximate fair values because of the relatively short-term nature of the instruments or, with respect to notes payable other than subordinated notes payable, because of their variable interest rates which periodically adjust to reflect changes in overall market interest rates. With respect to the $20,000 of fixed rate subordinated notes payable, the Company's management believes that the stated interest rates in the notes would not be substantially different than what the Company could have obtained as of December 31, 2003 and 2002, based on the Company's financial position.

In the normal course of its business, Ladenburg enters into transactions in financial instruments with off-balance sheet risk. These financial instruments consist of financial futures contracts, written equity index option contracts and securities sold, but not yet purchased.

Financial futures contracts provide for the delayed delivery of a financial instrument with the seller agreeing to make delivery at a specified future date, at a specified price. These futures contracts involve elements of market risk that may exceed the amounts recognized in the consolidated statement of financial condition. Risk arises from changes in the values of the underlying financial instruments or indices.

Equity index options give the holder the right to buy or sell a specified number of units of a stock market index, at a specified price, within a specified time and are settled in cash. Ladenburg generally enters into these option contracts in order to reduce its exposure to market risk on securities owned. Credit and market risk arises from the potential inability of the counterparties to perform under the terms of the contracts and from changes in the value of a stock market index. Ladenburg believes it mitigates the market risk of its option positions used for trading purposes because they are generally hedged transactions. As a writer of options, Ladenburg receives a premium in exchange for bearing the risk of unfavorable changes in the price of the securities underlying the option.

The table below discloses the gross contractual or notional amount of these commitments.

	Long	Short
As of December 31, 2003:		
Equity and index options	$ 59	$ --
Financial futures contracts	436	--
As of December 31, 2002:		
Equity and index options	$ --	$ --
Financial futures contracts	213	--

For the years ended December 31, 2003, 2002 and 2001, the net gain arising from options and futures contracts without regard to the benefit derived from market risk reduction was $50, $60, and $366, respectively. The measurement of market risk is meaningful only when all related and offsetting transactions are taken into consideration.

Ladenburg, and Ladenburg Capital prior to terminating its operations, sold securities that they do not currently own and will therefore be obligated

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to purchase such securities at a future date. These obligations have been recorded in the financial statements at December 31, 2003 and 2002 at market values of the related securities and the Company will incur a loss if the market value of the securities increases subsequent to December 31, 2003.

8. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Components of furniture, equipment and leasehold improvements included in the consolidated statements of financial condition were as follows:

<TABLE>
<CAPTION>

	As of December 31,	
	2003	2002
<S>	<C>	<C>
Cost		
Leasehold improvements	$ 4,984	$ 7,927
Computer equipment	3,336	4,039
Furniture and fixtures	1,235	1,237
Other	2,682	2,220
	12,237	15,423
Less, accumulated depreciation and amortization	(7,409)	(7,336)
	$ 4,828	$ 8,087

</TABLE>

See Note 9 - Operating Leases.

9. COMMITMENTS AND CONTINGENCIES

OPERATING LEASES

The Company is obligated under several noncancelable lease agreements for office space, expiring in various years through June 2015. Certain leases have provisions for escalation based on specified increases in costs incurred by the landlord. The Company is subleasing a portion of its office space for approximately $1,509 per year plus expense escalations. The subleases expire at various dates through August 31, 2009.

As of December 31, 2003, the leases, exclusive of the lease relating to premises vacated by Ladenburg Capital referred to below, provide for minimum lease payments, net of lease abatement and exclusive of escalation charges, as follows:

Year Ending December 31,	
2004	$ 4,526
2005	4,975
2006	4,844
2007	5,080
2008	5,554
Thereafter	35,931
Total	$60,910

In addition to the above, one of the leases obligates the Company to occupy additional space at the landlord's option, which may result in aggregate additional lease payments of up to $976 through June 2015.

In May 2003, Ladenburg relocated approximately 95 of its employees from its New York City office to its Melville, New York office. As a result of this move, Ladenburg ceased using one of the several floors it occupies in its New York City office, and the net book value of the leasehold improvements was written-off. In accordance with SFAS No. 146, as

estimated future sublease payments that could be reasonably obtained for the property exceed related rental commitments under the lease, amounting to $15,421 as of December 31, 2003, no liability for costs associated with vacating the space has been provided. Additional costs may be incurred, to the extent of foregone rental income in the event Ladenburg does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg's financial position and liquidity. In conjunction with the write-off of these leasehold improvements, the unamortized deferred rent credit representing reimbursement from the landlord of such leasehold improvements was also written-off. The write-off of unamortized leasehold improvements of $1,592, net of the unamortized deferred rent credit of $813, resulted in a net charge to operations of $779.

In December 2003, Ladenburg Capital settled its litigation with the landlord and terminated its obligation under a lease expiring in 2007 relating to office space in Bethpage, New York, which it vacated in 2002.

As of December 31, 2003, Ladenburg Capital may have potential liability under a terminated lease for office space in New York City which it was forced to vacate during 2001 due to the events of September 11, 2001. Ladenburg Capital no longer occupies the space and believes it has no further lease obligation pursuant to the terms of the lease. This lease, which, had it not terminated as a result of the events of September 11, 2001, would have expired by its terms in March 2010, provides for future minimum payments aggregating approximately $4,335, payable $644 in 2004, $703 per year from 2005 through 2008 and $879 thereafter. Ladenburg Capital is currently in litigation with the landlord in which it is seeking judicial determination of the termination of the lease. If Ladenburg Capital is not successful in this litigation, it plans to sublease the property. Ladenburg Capital has provided for estimated costs in connection with this lease and has recorded a liability at December 31, 2003 and 2002. Additional costs may be incurred in connection with terminating this lease, or if not terminated, to the extent of foregone rental income in the event Ladenburg Capital does not sublease the office space for an amount at least equal to the lease obligations. Such costs may have a material adverse effect on Ladenburg Capital's financial position and liquidity.

During 2002, Ladenburg Capital provided for costs of $3,031 in connection with the above described leases, including the write-off of furniture, fixtures and leasehold improvements of $1,117 and the recording of a liability at December 31, 2002, which gives effect to estimated sublease rentals. As a result of its settlement with the Bethpage landlord, Ladenburg Capital adjusted its liability and recorded a corresponding reduction in rent expense of $1,175 in the fourth quarter of 2003. This reduction in rent expense, less rent accrued in previous quarters during 2003, amounted to a net credit of $200 for the fiscal year ended December 31, 2003.

Deferred rent credit at December 31, 2003 and 2002 of $5,817 and $6,589, respectively, represents the difference between rent payable calculated over the life of the leases on a straight-line basis (net of lease incentives) and rent payable on a cash basis.

At December 31, 2003 and 2002, Ladenburg has utilized a letter of credit in the amount of $1,000 that is collateralized by Ladenburg's marketable securities, in the amount of $1,063 and $1,054, respectively, (shown as restricted assets on the consolidated statement of financial condition) as collateral for the lease of the Company's Madison Avenue (New York City) office space. Pursuant to the lease agreement, the requirement to maintain this letter of credit facility expires on December 31, 2006.

LITIGATION

The Company is a defendant in litigation, including the litigation with the landlord discussed above, and may be subject to unasserted claims or arbitrations primarily in connection with its activities as a securities broker-dealer and participation in public underwritings. Such litigation and claims involve substantial or indeterminate amounts and are in varying stages of legal proceedings. In October 2003, an arbitration panel awarded $1,100 in a customer arbitration. Although the Company has increased its liability to reflect this award, a motion to vacate is currently pending. The Company's subsidiaries are defendants in several various pending arbitrations claiming substantial amounts of damages, including one which is seeking compensatory damages of $6,000.

With respect to certain arbitration and litigation matters, where the Company believes that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated, the Company has provided a liability for potential arbitration and lawsuit losses of $4,999 at December 31, 2003 and $6,201 at December 31, 2002 (included in accounts payable and accrued liabilities), of which $1,591 and $3,110 were charged to operations as other expense for the fiscal years ended December 31, 2003 and 2002, respectively. With respect to other pending matters, due to the uncertain nature of litigation in general, the Company is unable to estimate a range of possible loss; however, in the opinion of management, after consultation with counsel, the ultimate resolution of

(Dollars in thousands, except per share amounts)

these matters should not have a material adverse effect on the Company's consolidated financial position, results of operations or liquidity.

On May 5, 2003, a suit was filed in the U.S. District Court for the Southern District of New York by Sedona Corporation against Ladenburg, former employees of Ladenburg, Pershing LLC and a number of other firms and individuals. The plaintiff alleges, among other things, that certain defendants (not Ladenburg) purchased convertible securities from plaintiff and then allegedly manipulated the market to obtain an increased number of shares from the conversion of those securities. Ladenburg acted as placement agent and not as principal in those transactions. Plaintiff has alleged that Ladenburg and the other defendants violated federal securities laws and various state laws. The plaintiff seeks compensatory damages from the defendants of at least $660,000 and punitive damages of $2,000,000. Ladenburg's motion to dismiss the lawsuit is currently pending. The Company believes the plaintiffs' claims in this action are without merit and intends to vigorously defend against them.

10. INCOME TAXES

Prior to May 7, 2001, Ladenburg was included in the consolidated federal income tax return of New Valley, and determined its income tax provision on a separate company basis. As a result of the decrease in New Valley's ownership of Ladenburg following the LTS acquisition, Ladenburg is no longer permitted to be included in the filing of New Valley's consolidated federal income tax return. Commencing May 8, 2001, the Company files a consolidated federal income tax return and certain combined state and local income tax returns with its subsidiaries.

Income taxes (benefit) consists of the following:

	Federal	State and Local	Total
2003			
Current.....	$ --	$ 70	$ 70
Deferred.....	--	--	--
	$ --	$ 70	$ 70
2002:			
Current.....	$(2,187)	$ 248	$(1,939)
Deferred.....	3,339	--	3,339
	$ 1,152	$ 248	$ 1,400
2001:			
Current.....	$(1,854)	$ 501	$(1,353)
Deferred.....	512	885	1,397
	$(1,342)	$ 1,386	$ 44

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate (34%) to pretax loss as a result of the following differences:

	2003	2002	2001
Loss before income taxes	$ (5,420)	$(44,993)	$(12,249)
Benefit under statutory U.S. tax rates	(1,843)	(15,298)	(4,165)
Increase in taxes resulting from:			
Nontaxable items	73	--	380
Write-off of goodwill	--	6,379	--
State taxes, net of Federal benefit	46	164	915
Other, net	--	--	(63)
Unrecognized net operating losses (income)	1,794	6,816	(1,588)
Increase in valuation reserve, net	--	3,339	4,565
Income tax provision	$ 70	$ 1,400	$ 44

The Company accounts for taxes in accordance with SFAS No. 109, "Accounting for Income Taxes", which requires the recognition of tax benefits or expense on the temporary differences between the tax basis

(Dollars in thousands, except per share amounts)

and book basis of its assets and liabilities. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those timing differences are expected to be recovered or settled.

Deferred tax amounts are comprised of the following at December 31:

	2003	2002
Deferred tax assets:		
Net operating loss carryforwards	$ 16,149	$ 12,663
Accrued expenses	3,987	3,884
Compensation and benefits	49	135
Depreciation and amortization	217	449
Unrealized losses	196	278
	20,598	17,409
Valuation allowance	(20,598)	(17,409)
Net deferred taxes	$ --	$ --

After consideration of all the evidence, both positive and negative, especially the fact the Company has sustained operating losses during 2003 and 2002, and that the Company continues to be affected by conditions in the economy, management has determined that a valuation allowance at December 31, 2003 was necessary to fully offset the deferred tax assets based on the likelihood of future realization. At December 31, 2003, the Company had net operating loss carryforwards of approximately $35,100, expiring in various years from 2015 through 2024, of which approximately $116 are subject to restrictions on utilization.

11. BENEFIT PLANS

Ladenburg and Ladenburg Capital have a 401(k) retirement plan (the "Plan"), which allows eligible employees to invest a percentage of their pretax compensation, limited to the statutory maximum ($12,000 for 2003, $11,000 for 2002 and $10,500 for 2001). The Plan also allows the Company to make matching and/or discretionary contributions. Neither Ladenburg nor Ladenburg Capital made matching contributions for 2003, 2002 or 2001.

12. OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

Ladenburg does not carry accounts for customers or perform custodial functions related to customers' securities. Ladenburg introduces all of its customer transactions, which are not reflected in these financial statements, to its primary clearing broker, which maintains the customers' accounts and clears such transactions. Additionally, the primary clearing broker provides the clearing and depository operations for Ladenburg's proprietary securities transactions. These activities may expose the Company to off-balance-sheet risk in the event that customers do not fulfill their obligations with the clearing broker, as Ladenburg has agreed to indemnify its clearing broker for any resulting losses. The Company 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 Company's securities transactions are provided by several clearing brokers. At December 31, 2003 and 2002, substantially all of the securities owned and the amounts due from clearing brokers reflected in the consolidated statement of financial condition are positions held at and amounts due from one clearing broker, a large financial institution. The Company is subject to credit risk should this clearing broker be unable to fulfill its obligations.

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.

13. NOTES PAYABLE

The components of notes payable are as follows:

	December 31,	
	2003	2002

Senior convertible notes payable	$20,000	$20,000
Notes payable (forgivable on terms described below) in connection with clearing agreement	2,000	3,500
Notes payable	5,000	5,000
Subordinated note payable	2,500	2,500
Total	$29,500	$31,000

Aggregate maturities of the $29,500 of notes payable at December 31, 2003 are as follows:

Year Ending December 31,	
2004.....	$ 2,500
2005.....	20,000
2006.....	7,000
Total.....	$ 29,500

SENIOR CONVERTIBLE NOTES PAYABLE

In conjunction with the acquisition of Ladenburg, LTS issued a total of $20,000 principal amount of senior convertible notes due December 31, 2005, secured by a pledge of the stock of Ladenburg. The $10,000 principal amount of notes issued to the former Ladenburg stockholders bears interest at 7.5% per annum, and the $10,000 principal amount of notes issued to Frost-Nevada, Limited Partnership ("Frost-Nevada"), which was subsequently assigned to Frost-Nevada Investments Trust ("Frost Trust"), of which Frost-Nevada is the sole and exclusive beneficiary, bears interest at 8.5% per annum. The notes held by the former Ladenburg stockholders are convertible into a total of 4,799,271 shares of common stock, and the note held by Frost Trust are convertible into a total of 6,497,475 shares of common stock. If, during any period of 20 consecutive trading days, the closing sale price of LTS's common stock is at least $8.00, the principal and all accrued interest on the notes will be automatically converted into shares of common stock. The notes also provide that if a change of control occurs, as defined in the notes, LTS must offer to purchase all of the outstanding notes at a purchase price equal to the unpaid principal amount of the notes and the accrued interest.

On June 28, 2002, New Valley, Berliner and Frost-Nevada agreed with the Company to forbear until May 15, 2003 payment of the interest due to them under the senior convertible promissory notes held by these entities on the interest payment dates of the notes commencing June 30, 2002 through March 2003 (the "Forbearance Interest Payments"). On March 3, 2003, the holders of the senior convertible promissory notes agreed to extend the interest forbearance period to January 15, 2005 with respect to interest payments due through December 31, 2004. Interest on the deferred amounts accrues at 8% on the New Valley and Berliner notes and 9% on the Frost Trust note. The Company also agreed to apply any net proceeds from any subsequent public offerings to any such deferred amounts owed to the holders of the notes to the extent possible. As of December 31, 2003 and 2002, accrued interest payments as to which a forbearance was received amounted to $3,414 and $1,404, respectively.

On March 29, 2004, the Company entered into an agreement with New Valley and Frost-Nevada pursuant to which such parties agreed to convert their notes and accrued interest into common stock, subject to shareholder

approval. Pursuant to the agreement, New Valley and Frost-Nevada will convert their notes into approximately 26,000,000 shares of common stock at reduced conversion prices of $1.10 per share and $0.70 per share, respectively. The agreement is subject to, among other things, approval by the Company's shareholders at a special meeting that is expected to be held in the second quarter of 2004. As a result of the conversion, New Valley and Frost-Nevada will beneficially own approximately 12.5% and 27.6%, respectively, of the Company's common stock. Concurrently with this agreement, the Company entered into an agreement with Berliner pursuant to which the Company will repurchase the notes held by Berliner, plus all accrued interest thereon, for $1,000 in cash.

The Company currently anticipates recording a pre-tax charge in 2004 of approximately $10,900 in its statements of operations upon closing of these transactions. The charge reflects expense attributable to the reduction in the conversion price of the notes to be converted, offset partially by the gain on the repurchase of the Berliner notes. The net balance sheet effect of the transactions will be an increase in the Company's shareholders' equity of approximately $22,900.

OTHER NOTES PAYABLE

(Dollars in thousands, except per share amounts)

On August 31, 2001, the Company borrowed $1,000 from each of New Valley and Frost-Nevada, in order to supplement the liquidity of the Company's broker-dealer operations. The loans, which bore interest at 1% above the prime rate, were repaid in January 2002. As consideration for the loans, the Company issued to each of New Valley and Frost-Nevada a five-year, immediately exercisable, warrant to purchase 100,000 shares of the Company's common stock at an exercise price of $1.00 per share. The Company recorded an expense of $154 associated with the issuance of such warrants based on the value determined by using the Black-Scholes option-pricing model.

On March 27, 2002, the Company borrowed $2,500 from New Valley. The loan, which bears interest at 1% above the prime rate, was due on the earlier of December 31, 2003 or the completion of one or more equity financings where the Company receives at least $5,000 in total proceeds. The terms of the loan restrict the Company from incurring or assuming any indebtedness that is not subordinated to the loan so long as the loan is outstanding. On July 16, 2002, the Company borrowed an additional $2,500 from New Valley (collectively with the March 2002 loan, the "2002 Loans") on the same terms as the March 2002 loan. In November 2002, New Valley agreed in connection with the Clearing Loans (defined below) to extend the maturity of the 2002 Loans to December 31, 2006 and to subordinate the 2002 Loans to the repayment of the Clearing Loans.

On October 8, 2002, LTS borrowed an additional $2,000 from New Valley. The loan, which bore interest at 1% above the prime rate, was scheduled to mature on the earliest of December 31, 2002, the next business day after the Company received its federal income tax refund for the fiscal year ended September 30, 2002, and the next business day after the Company received the Clearing Loans. The loan was repaid in December 2002 upon the receipt of the Clearing Loans.

In November 2002, the Company renegotiated a clearing agreement with one of its clearing brokers whereby this clearing broker became Ladenburg's primary clearing broker, clearing substantially all of Ladenburg's business (the "Clearing Conversion"). As part of the new agreement with this clearing agent, Ladenburg is realizing significant cost savings from reduced ticket charges and other incentives. In addition, under the new clearing agreement, an affiliate of the clearing broker loaned the Company an aggregate of $3,500 (the "Clearing Loans") in December 2002. The Clearing Loans and related accrued interest are forgivable over various periods, up to four years from the date of the Clearing Conversion, provided Ladenburg continues to clear its transactions through the primary clearing broker. As scheduled, in November 2003, $1,500 of principal was forgiven. The remaining $2,000 of principal is scheduled to be forgiven as follows: $667 in November 2004, $667 in November 2005 and $666 in November 2006. Upon the forgiveness of the Clearing Loans, the forgiven amount is accounted for as other revenues. However, if the clearing agreement is terminated for any reason prior to the loan maturity date, the loan, less any amount that has been forgiven through the date of the termination, plus interest, must be repaid on demand.

As of December 31, 2003 and 2002, Ladenburg has a $2,500 junior subordinated revolving credit agreement

with an affiliate of its primary clearing broker that matures on October 31, 2004, under which outstanding borrowings incur interest at LIBOR plus 2%. During 2002, Ladenburg repaid a $2,500 subordinated loan that was outstanding from the prior year.

14. SHAREHOLDERS' EQUITY

AUTHORIZED SHARES

At the Company's annual meeting held on November 6, 2002, the shareholders of the Company approved an amendment to the Company's articles of incorporation to increase the number of authorized shares of common stock from 100,000,000 to 200,000,000.

WEIGHTED AVERAGE SHARES OUTSTANDING

In connection with the LTS acquisition, all per share data have been retroactively restated to reflect the number of equivalent shares received by the former stockholders of Ladenburg in the form of common stock, convertible notes and cash. During 2003, 2002 and 2001, respectively, options and warrants to purchase 5,653,030, 4,856,813 and 3,112,104 common shares, and during each of these years, 11,296,747 common shares issuable upon the conversion of notes payable, were not included in the computation of diluted loss per share as the effect would have been anti-dilutive.

STOCK OPTION PLAN

(Dollars in thousands, except per share amounts)

In 1999, the Company adopted the 1999 Performance Equity Plan (the "Plan") which, as amended, provides for the grant of stock options and stock purchase rights to certain designated employees, officers and directors and certain other persons performing services for the Company, as designated by the board of directors. In 2002, shareholders approved an amendment to the Plan at the Company's annual meeting to increase the number of shares of common stock available for issuance under the Plan from 5,500,000 shares to 10,000,000 shares and to increase the limit on grants to any individual from 300,000 shares to 1,000,000 shares per calendar year. In connection with the LTS acquisition, shareholders' equity was increased $1,422 to recognize the value of 1,875,979 stock options outstanding at May 7, 2001 to LTS employees, based on a weighted average fair value of $0.76 per option. The fair value of the options was determined using the Black-Scholes option pricing model and was based on the following weighted-average assumptions: expected volatility of 85.93%; expected life of three years; a risk-free interest rate of 4.42%; and no expected dividend yield or forfeiture.

A summary of the status of the Plan at December 31, 2003, and changes during the years ended December 31, 2003 and 2002 and the period ended December 31, 2001, are presented below:

<TABLE>
<CAPTION>

	Shares	Weighted-average Exercise Price
<S>	<C>	<C>
Options outstanding, May 7, 2001	1,875,979	$3.21
Granted	1,200,000	3.05
Forfeited	(168,875)	3.00
Options outstanding, December 31, 2001	2,907,104	3.16
Granted	2,367,485	.73
Forfeited	(617,776)	1.96
Options outstanding, December 31, 2002	4,656,813	2.08
Granted	1,218,550	.44
Forfeited	(422,333)	1.51
Options outstanding, December 31, 2003	5,453,030	1.76
Options exercisable, December 31, 2003	2,711,743	2.62

</TABLE>

The following table summarizes information about stock options outstanding at December 31, 2003:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding At December 31, 2003	Weighted-average Remaining Contractual Life (Years)	Weighted-average Exercise Price	Number Exercisable At December 31, 2003	Weighted-average Exercise Price
<S> <C>	<C>	<C>	<C>	<C>	<C>
$4.47	200,000	.65	$4.47	200,000	$4.47
4.06	300,000	5.65	4.06	300,000	4.06
3.05	1,200,000	7.35	3.05	866,666	3.05
3.00	472,875	5.94	3.00	472,875	3.00
2.13	75,000	7.00	2.13	70,000	2.13
2.52	110,000	7.10	2.52	110,000	2.52
.88	1,220,000	8.03	.88	406,667	.88
.60	556,605	8.22	.60	185,535	.60
.22	100,000	8.88	.22	100,000	.22
.30	80,000	9.72	.30	--	--
.45	1,138,550	9.96	.45	--	--
	5,453,030	7.73	1.76	2,711,743	2.62

</TABLE>

In connection with the LTS acquisition, Ladenburg entered into a new employment agreement with Victor M. Rivas, which provided for Mr. Rivas to

become President and Chief Executive Officer of LTS upon closing of the transaction. As part of Mr. Rivas' compensation under the employment agreement, LTS granted him on May 7, 2001 a ten-year non-qualified option under the Plan to purchase 1,000,000 shares of LTS common stock at $3.05, the closing market price as reflected by the American Stock Exchange on the date of grant. The options have a ten-year term and become exercisable as to one-third of the shares on each of the first three anniversaries of the date of grant.

On May 7, 2001, the Company granted to each of the five new non-employee directors of the Company ten-year options to purchase 20,000 shares of common stock at $3.05 per share. Each option became exercisable on the first anniversary of the date of grant.

On January 10, 2002, the Company granted non-qualified stock options to five executives, to purchase an aggregate of 1,220,000 shares of common stock at an exercise price of $.88 per share, the fair market value of a share of common stock on the date of grant. These options vest in three equal annual installments commencing on the first anniversary of the date of grant and expire ten years from the date of grant.

On March 19, 2002, the Company granted to other employees of the Company and its subsidiaries qualified and non-qualified options under the Plan to purchase a total of 1,047,485 shares of common stock at a price of $.60 per share, the fair market value on the date of grant. These options vest in three equal annual installments commencing on the first anniversary of the date of grant and expire ten years from the date of grant.

On November 15, 2002, the Company granted to the five non-employee directors of the Company options to purchase a total of 100,000 shares of common stock at $.22 per share, the fair market value on the date of grant. These options vest in one year from the date of grant and expire ten years from the date of grant.

On September 17, 2003, the Company granted to the four non-employee directors of the Company options to purchase a total of 80,000 shares of common stock at $.30 per share, the fair market value on the date of grant. These options vest in one year from the date of grant and expire ten years from the date of grant.

On December 17, 2003, the Company granted to employees of the Company and its subsidiaries qualified and non-qualified options under the Plan to purchase a total of 1,138,550 shares of common stock at a price of $.45

per share, the fair market value on the date of grant. These options vest in three equal annual installments commencing on the first anniversary of the date of grant and expire ten years from the date of grant.

EMPLOYEE STOCK PURCHASE PLAN

In November 2002, the Company's shareholders approved the Ladenburg Thalmann Financial Services Inc. Employee Stock Purchase Plan (the "Plan"), under which a total of 5,000,000 shares of common stock are available for issuance. Under the Plan, as currently administered by the Company's compensation committee, all full-time employees may use a portion of their salary to acquire shares of the Company's common stock at a discount of up to 15% below the market price of the Company's common stock, on the beginning or end of such option period, whichever is lower. Option periods have been initially set at three months long 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 is intended to qualify as an "employee stock purchase plan" under Section 423 of the Internal Revenue Code. The Plan became effective November 6, 2002 and the first option period commenced April 1, 2003. During 2003, 1,601,919 shares of the Company's common stock were issued to employees under this Plan, at an average price of $.1325 per share, amounting to $212.

15. LIQUIDITY

The Company's liquidity position continues to be adversely affected by its inability to generate cash from operations. Accordingly, the Company has been forced to cut expenses as necessary. In order to accomplish this, the Company has implemented certain cost-cutting procedures throughout its operations. During the third and fourth quarters of 2002, as well as the first and second quarters of 2003, the Company reduced the size of its workforce. The Company decreased its total number of employees from 658 at June 30, 2002 to 324 at December 31, 2003. During the fourth quarter of 2002, the Company terminated the operations of Ladenburg Capital. Ladenburg Capital filed to withdraw as a broker-dealer at that time, which withdrawal became effective in January 2004. Ladenburg has agreed to and is currently servicing the Ladenburg Capital accounts, and many of the Ladenburg Capital employees were offered and have accepted employment with Ladenburg. This further reduced support staff expenses, operating expenses and general administrative expenses.

The Company filed a registration statement in May 2002 for a proposed $10,000 rights offering to the holders of the Company's outstanding common

stock, convertible notes, warrants and options in order to raise additional necessary working capital. New Valley agreed to purchase up to $5,000 of the Company's common stock in the proposed rights offering if such shares were otherwise unsubscribed for. However, on August 6, 2002, the Company announced that it had decided to postpone the rights offering due to market conditions. The Company intends to review the situation in the future to determine if conditions for the offering have improved, although the Company does not currently anticipate that the rights offering can be successfully completed absent a material improvement in market conditions and a significant increase in the Company's stock price. In the circumstance where the rights offering were ultimately consummated, the Company would be required to use the proceeds of the proposed rights offering to repay the 2002 Loans as well as all accumulated Forbearance Interest Payments, to the extent possible.

The Company's overall capital and funding needs are continually reviewed to ensure that its liquidity and capital base can support the estimated needs of its business units. These reviews take into account business needs as well as regulatory capital requirements of the Company's subsidiaries. If, based on these reviews, it is determined that the Company requires additional funds to support its liquidity and capital base, the Company would seek to raise additional capital through other available sources, including through borrowing additional funds on a short-term basis from the Company's significant shareholders or from other parties, including the Company's clearing brokers, although there can be no assurance such funding would be available. Additionally, the Company may attempt to raise funds through a rights offering or other type of financing. If the Company continues to be unable to generate cash from operations and is unable to find alternative sources of funding as described above, it would have an adverse impact on the Company's liquidity and operations.

In November 2003, the Company received notice from the AMEX staff indicating that the Company was below certain of the continued listing standards of the AMEX, specifically that the Company had sustained losses in two of its three most recent fiscal years with shareholders' equity of less than $2 million, as set forth in Section 1003(a)(i) of the AMEX Company Guide. The Company was afforded an opportunity to submit its plan to regain compliance with the continued listing standards to the AMEX and did so in December 2003. Upon acceptance of the plan, AMEX provided the Company with the extension until May 13, 2005 to regain compliance with the continued listing standards, and will allow the Company to maintain its AMEX listing through the plan period, subject to periodic review of the Company's progress by the AMEX staff. If the Company does not make progress consistent with the plan or regain compliance with the continued listing standards by the end of the extension period, the AMEX staff could initiate delisting procedures.

16. RELATED PARTY TRANSACTIONS

Following the May 2001 acquisition of Ladenburg by LTS, certain officers and directors of New Valley became affiliated with the Company. Various directors of New Valley serve as directors of the Company, including Victor M. Rivas, LTS's President and Chief Executive Officer. An executive officer of New Valley served as Chief Financial Officer of LTS from June 2001 through September 2002. In 2002, the Company accrued compensation for this executive officer in the amount of $100, which was paid in four quarterly installments commencing April 1, 2003. See Note 14 regarding options granted to the non-employee directors of LTS and to Mr. Rivas in May 2001 and subsequently in 2002. For a more complete discussion of the acquisition of Ladenburg, see Note 3.

In connection with the acquisition of Ladenburg, New Valley and Frost-Nevada acquired LTS's senior convertible notes. In August 2001, New Valley and Frost-Nevada each loaned the Company $1,000, which loans were repaid in January 2002. During 2002, New Valley loaned the Company an additional $7,000 of which $2,000 was repaid. (See Note 13.)

During 2001, New Valley paid a fee of $750 to the President of Ladenburg, who serves as President and Chief Executive Officer of LTS. The fee was paid for his services in connection with the closing of the acquisition of Ladenburg by LTS. One-half of the fee was reimbursed by Ladenburg to the former parent.

Howard Lorber, the Company's chairman of the board, is chairman of the board of directors of Hallman & Lorber Associates, Inc., a private consulting and actuarial firm, and related entities, which receive commissions from insurance policies written for the Company. These commissions amounted to approximately $48 and $106 in 2003 and 2002, respectively.

Several members of the immediate families of LTS's executive officers and directors are employed as registered representatives of Ladenburg (and may have been previously employed by Ladenburg Capital Management) or hedge fund managers of the Ladenburg Focus Fund LP. As such, they receive a percentage of commissions generated from customer accounts for which they are designated account representatives, and are eligible to receive bonuses or other compensation at the discretion of management. Oscar Sonkin, the father-in-law of Richard J. Rosenstock, received $13, $72 and $104 of compensation in 2003, 2002 and 2001, respectively. Richard Sonkin, the brother-in-law of Richard J. Rosenstock, received $248, $216 and $150 of compensation in 2003, 2002 and 2001, respectively. Steven Zeitchick, the brother of Mark Zeitchick, received $329, $182 and $136 of compensation during 2003, 2002 and 2001, respectively.

(Dollars in thousands, except per share amounts)

17. QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

	Quarters			
	1st	2nd	3rd	4th
<S>	<C>	<C>	<C>	<C>
2003:				
Revenues	$ 11,906	$ 19,073	$ 15,160	$ 15,258
Expenses	14,929	19,799	17,641	14,296
(Loss) income before income taxes and minority interest	(3,023)	(762)(b)	(2,481)	962(c)
Net (loss) income	$ (3,069)	$ (762)(b)	$ (2,521)	$ 862(c)
Loss (income) per common share(d)				
Basic	$ (0.07)	$ (0.02)(b)	$ (0.06)	$ 0.02(c)
Diluted	$ (0.07)	$ (0.02)(b)	$ (0.06)	$ 0.02(c)
Weighted average common shares				
Basic	42,025,211	42,034,378	42,864,506	43,329,505
Diluted	42,025,211	42,034,378	42,864,506	43,414,089
2002:				
Revenues	$ 25,615	$ 20,413	$ 15,977	$ 17,568
Expenses	29,802	46,081(a)	23,726	25,416
Loss before income taxes	(4,187)	(25,668)(a)	(7,749)	(7,848)
Net loss	$ (3,532)	$ (25,452)(a)	$ (10,014)	$ (7,395)
Basic and diluted:				
Loss per Common Share (d)	$ (0.08)	$ (0.61)(a)	$ (0.24)	$ (0.18)
Basic and diluted weighted average Common Shares	42,025,211	42,025,211	42,025,211	42,025,211

</TABLE>

- ----------

(a) Includes impairment charge for goodwill of $18,762 ($0.45 per common share) (see Note 4).

(b) Includes $779 charge ($0.02 per common share) for write-off of leasehold improvements (see Note 9 - Operating Leases.)

(c) Includes $1,175 ($0.03 per common share) of income relating to adjustment of a liability in connection with settlement of litigation (see Note 9 - Operating Leases), and $1,500 ($0.03 per common share) of income on forgiveness of note payable (see Note 13).

(d) The sum of the quarterly loss per share may not equal the loss per share for the year, because the per share data for each quarter and for the year are independently computed.

Exhihit 10.46

STOCK OPTION AGREEMENT

AGREEMENT, made as of December 17, 2003, by and between Ladenburg Thalmann Financial Services Inc., a Florida corporation (the "Company"), and Salvatore Giardina (the "Employee").

WHEREAS, by written consent dated as of December 17, 2003, pursuant to the terms and conditions of the Company's 1999 Performance Equity Plan (the "Plan"), the Compensation Committee ("Committee") of the Company's Board of Directors authorized the grant to the Employee of an option to purchase an aggregate of 30,000 shares of the authorized but unissued shares of the Company's common stock, par value $0.0001 per share ("Common Stock"), conditioned upon the Employee's acceptance thereof upon the terms and conditions set forth in this Agreement and subject to the terms of the Plan (capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Plan); and

WHEREAS, the Employee desires to acquire the option on the terms and conditions set forth in this Agreement.

IT IS AGREED:

1. GRANT OF STOCK OPTION. The Company hereby grants to the Employee the right and option ("Option") to purchase all or any part of an aggregate of 30,000 shares of Common Stock ("Option Shares") on the terms and conditions set forth herein and subject to the provisions of the Plan.

2. INCENTIVE STOCK OPTION. The Option represented hereby is intended to be an Option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended ("Code").

3. EXERCISE PRICE. The exercise price ("Exercise Price") of the Option shall be $0.45 per share, subject to adjustment as provided in the Plan.

4. EXERCISABILITY. This Option shall become exercisable, subject to the terms and conditions of the Plan and this Agreement, as follows: (i) the right to purchase 10,000 of the Option Shares shall be exercisable on and after December 17, 2004, (ii) the right to purchase an additional 10,000 of the Option

Shares shall be exercisable on and after December 17, 2005, and (iii) the right to purchase the remaining 10,000 of the Option Shares shall be exercisable on and after December 17, 2006. After a portion of the Option becomes exercisable, it shall remain exercisable except as otherwise provided herein, until the close of business on December 16, 2013 (the "Exercise Period").

5. EFFECT OF TERMINATION OF EMPLOYMENT.

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

5.2 TERMINATION DUE TO DISABILITY. If Employee's employment by the Company terminates by reason of disability (as such term is defined in the Plan), the portion of the Option, if any, that was exercisable as of the date of disability may thereafter be exercised by the Employee or legal representative for a period of one year from the date of such termination or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of termination shall immediately expire.

5.3 TERMINATION BY THE COMPANY WITHOUT CAUSE AND/OR DUE TO RETIREMENT. If Employee's employment is terminated by the Company without cause or due to the normal retirement of Employee after his 65th birthday, then the portion of the Option which has vested by the date of termination of employment may be exercised for a period of 30 days from termination of employment or until the expiration of the Exercise Period, whichever is shorter. The portion of the Option, if any, not yet exercisable on the date of termination of employment shall immediately expire.

5.4 OTHER TERMINATION.

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

5.4.2 In the event the Employee's employment is terminated for cause, the Company may require the Employee to return to the Company the economic benefit of any Option Shares purchased hereunder by the Employee within the six month period prior to the date of termination. In such event, the Employee hereby agrees to remit to the Company, in cash, an amount equal to the difference between the Fair Market Value (on the date of termination) of the Option Shares so purchased by Employee (or the sales price of such Option Shares if the Option Shares were sold during such six month period) and the Exercise Price.

5.5 COMPETING WITH THE COMPANY. In the event that, within eighteen months after the date of termination of Employee's employment with the Company, Employee accepts employment with, or becomes engaged as a consultant by, any competitor of, or otherwise competes with, the Company, the Company, in its sole discretion, may require such Employee to return to the Company the economic value of any Option Shares purchased hereunder by the Employee within the six-month period prior to the date of termination. In such event, Employee agrees to remit the economic value to the Company in accordance with Section 5.4.2.

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

7. METHOD OF EXERCISE.

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

7.2 DELIVERY OF OPTION SHARES. The Company shall deliver a certificate for the Option Shares to the Employee as soon as practicable after payment therefor.

7.3 PAYMENT OF PURCHASE PRICE.

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

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

7.3.3 STOCK PAYMENT. The Company, in its sole discretion, may allow Employee to use Common Stock of the Company owned by him to make any required payments by delivery of stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free

of any liens or encumbrances. Shares of Common Stock used for this purpose shall be valued at the Fair Market Value.

7.3.4 PAYMENT OF WITHHOLDING TAX. Any required Withholding Tax may be paid in cash or with Common Stock in accordance with Sections 7.3.1 and 7.3.2, respectively, and Section 6.

7.3.5 EXCHANGE ACT COMPLIANCE. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of

Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934; (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

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

9. NONASSIGNABILITY. The Option shall not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner, except by will or by the laws of descent and distribution in the event of the death of the Employee. Notwithstanding the foregoing, the Employee, with the approval of the Committee, may transfer the Option (i) (A) by gift, for no consideration, or (B) pursuant to a domestic relations order, in either case, to or for the benefit of the Employee's Immediate Family (as defined in the Plan), or (ii) to an entity in which the Employee and/or members of the Employee's Immediate Family own more than fifty percent of the

voting interest, in exchange for an interest in that entity, provided that such transfer is being made for estate, tax and/or personal planning purposes and will not have adverse tax consequences to the Company and subject to such limits as the Committee may establish and the execution of such documents as the Committee may require. In such event, the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer.

10. COMPANY REPRESENTATIONS. The Company hereby represents and warrants to the Employee that:

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

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

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

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

(2) he or she has received a copy of the Plan as in effect as of the date of this Agreement;

(3) he or she has received a copy of all reports and documents required to be filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, within the last 24 months and all reports issued by the Company to its shareholders;

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

(5) he or she understands that he or she must bear the economic risk of the investment in the Option Shares, which cannot be sold by him unless they are registered under the

Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(6) in his or her position with the Company, he or she has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (3) above;

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

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

> "The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."
>
> "The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of December 17, 2003, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

12. RESTRICTION ON TRANSFER OF OPTION SHARES.

12.1 Anything in this Agreement to the contrary notwithstanding, Employee hereby agrees that he shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him without

registration under the 1933 Act, or in the event that they are not so registered, unless (i) an exemption from the 1933 Act registration requirements is available thereunder, and (ii) the Employee has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

12.2 Anything in this Agreement to the contrary notwithstanding, Employee hereby agrees that he shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him except in accordance with Company's Insider Trading Policy regarding the sale and disposition of securities owned by employees and/or directors of the Company.

13. ADJUSTMENTS. The number of shares subject to the Option, the Exercise Price, the Exercise Period and the vesting of the Option shall all be subject to adjustment under Section 3.2 of the Plan.

14. MISCELLANEOUS.

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

14.2 PLAN PARAMOUNT; CONFLICTS WITH PLAN. This Agreement and the Option shall in all respects, be subject to the terms and conditions of the Plan, whether or not stated herein. In the event of a conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall in all respects be controlling.

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

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

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

14.6 BINDING EFFECT; SUCCESSORS. This Agreement shall inure to the benefit of and be binding upon the parties hereto and, to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, expressed or implied, is intended to

confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

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

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

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

Ladenburg Thalmann Financial Services Inc. Address: 590 Madison Avenue
New York, NY 10022

By: /s/ Victor M. Rivas

Victor M. Rivas, President and Chief Executive Officer

Employee: Address:

/s/ Salvatore Giardina
- ---

EXHIBIT A

FORM OF NOTICE OF EXERCISE OF OPTION

- ---
DATE

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue
New York, New York 10022
Attention: Board of Directors

Re: PURCHASE OF OPTION SHARES

Gentlemen:

In accordance with my Stock Option Agreement dated as of

December 17, 2003 with Ladenburg Thalmann Financial Services Inc. (the "Company"), I hereby irrevocably elect to exercise the right to purchase _____ shares of the Company's common stock, par value $.0001 per share ("Common Stock"), which are being purchased for investment and not resale.

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

- o a [personal check] [certified check] [bank check] payable to the order of the Company in the sum of $_____;
- o confirmation of wire transfer in the amount of $_____;
- o with the consent of the Company, a certificate for _____ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Agreement of $_____; and/or
- o with the consent of the Company, through broker payment as provided in Section 7.3.2 (see broker letter attached).

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

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

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

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

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

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

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

effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

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

(viii) My rights with respect to the Option Shares, in all respects, be subject to the terms and conditions of this Company's 1999 Performance Equity Plan and this Agreement; and

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

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

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of December 17, 2003, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

- _____ _____

(Signature) (Address)

- _____ _____

(Print Name)

_____

(Social Security Number)

Exhibit 10.47

AMENDMENT TO EMPLOYMENT AGREEMENT

WHEREAS LADENBURG THALMANN FINANCIAL SERVICES INC. (formerly known as GBI Capital Management Corp.) and LADENBURG CAPITAL MANAGEMENT INC. (formerly known as GBI Capital Partners Inc.) and MARK ZEITCHICK (the "Executive") have entered into an EMPLOYMENT AGREEMENT, dated as of August 24, 1999 ("Original Agreement"), a first amendment to the Agreement dated February 8, 2001, a letter amendment dated February 8, 2001, a letter amendment dated May 7,2001, a second amendment dated August 30, 2001 (dated August 31, 2001 in the Form 8-K/A filed on September 10, 2001 by LTFS, as hereafter defined), and a letter amendment dated October 10, 2002 (together, the "Amended Agreement"); and

WHEREAS the parties desire to further amend the Amended Agreement;

NOW THEREFORE, in consideration of the mutual promises and agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows ("this Agreement"):

1. TERM OF EMPLOYMENT. The term of the Executive's employment under this Agreement shall be through August 31, 2004 (the "Term").

2. DUTIES OF EMPLOYMENT. The Executive hereby agrees that he will serve as a registered representative of Ladenburg Thalmann & Co. Inc. ("LTCI"), a wholly owned subsidiary of Ladenburg Thalmann Financial Services Inc. ("LTFS"), and LTCI and LTFS (sometimes, collectively, the "Company") agree to employ the Executive, subject to regulatory requirements; Executive will not be required to enter into any "Association Agreement"; except as may be required for compliance, registration, or regulatory reasons, Executive will not be subject to any attendance policy; Executive shall provide such services as may be mutually agreed upon by LTCI or LTFS, on the one hand, and Executive, on the other. Except as specifically provided herein, Executive shall have no duty or obligation to provide any services hereunder. Executive shall remain as a director of LTFS (and LTFS agrees to nominate and elect Executive to serve in such capacity for as long as Executive wishes to serve; otherwise, effective as of the close of business on December 31, 2003, Executive hereby resigns as an officer of LTFS and resigns as an officer and director of all affiliates and subsidiaries of LTFS. The Executive will execute such other documents relative to such resignations as may be requested by LTFS and its affiliates and subsidiaries.

3. COMPENSATION AND OTHER BENEFITS.

3.1 SALARY. Effective as of January 1, 2004, the full base compensation for all services to be rendered by the Executive hereunder (including Executive's service as a LTFS director) that LTCI shall pay to the Executive (or to another company, employee , or other person or entity designated by Executive from time to time)shall be amended to a base salary (gross pretax) at a monthly rate of $3,750.00, in accordance with usual payroll practices for executives. The monthly base salary set forth in this Section 3.1 shall hereinafter be referred to as the "Base Salary." LTCI shall withhold or cause to be withheld from the Base Salary (and other amounts

hereunder) all taxes and other amounts as are required by law to be withheld.

3.2 INCENTIVE AND BONUS PLANS. Effective as of January 1, 2004, the percentage of Total Revenue that the Executive shall be entitled to receive under the Incentive Plan shall be amended to 0.25335 per cent. The Company's obligation to compensate the Executive for the Executive's participation in the Bonus Plan shall continue for the balance of the Term, and payment thereunder shall continue in accord with past practice notwithstanding that actual payment is not effected until after the expiration of the Term. The Company shall be obligated to pay all sums due to Executive under Sections 3.1 and 3.2 hereof, which obligation shall be absolute and unconditional.

3.3 ADDITIONAL COMPENSATION. In addition to the Base Salary, the Executive will be eligible to receive additional compensation as follows: (i) 50% payout on all of Executive's retail brokerage production in accordance with standard LTCI procedures on

terms no less favorable than those currently in effect as of the date of this Agreement, and (ii) 15% of any pay or compensation received by LTCI or any affiliate thereof as a finders fee for corporate finance transactions entered into within 18 months after introduction to LTCI by the Executive to be paid on terms no less favorable than those currently in effect as of the date of this Agreement which in no event will be more than 30 days after receipt by LTCI or any such affiliate, provided, however, that the finder's fee for any single transaction shall be reduced by any amount that LTCI is obligated to pay to another finder. The payments under (i) and (ii) shall be termed "Additional Compensation." As of January 1, 2004, the Executive shall no longer participate in any special override or other bonus program not referred to specifically above; provided, however, that the Executive shall continue to be paid any such benefits earned through December 31, 2003 in accordance with past practices. Any outstanding expenses incurred by the Executive in connection with his employment that remain unpaid as of the date hereof, as well as any expenses reasonably incurred by Executive in carrying out his duties for the Company will be paid in accordance with firm policy. Further, while he is employed at LTCI, to the extent that LTFS stock options under the Ladenburg Thalmann Financial Services Inc. 1999 Performance Equity Plan are distributed to registered representatives based on their level of commission production, the Executive shall participate in such distribution based on his level of commission production.

3.4 PARTICIPATION IN INSURANCE AND OTHER PLANS. Section 5(A) of the Original Agreement, as amended in the Amended Agreement, shall remain in effect. During the Term, the Executive shall be promptly reimbursed for all out-of-pocket expenses, including expenses for spouse and children (to the extent permitted under the terms of the plan), not reimbursed under the LTCI health insurance plan.

3.5 OFFICE. During the Term, the Executive shall be provided with a private office at the Company's office in Boca Raton, Florida or, if the Company moves, at such other office of the Company in Florida proximate to the Executive's home.

3.6 INDEMNIFICATION. Both (a) the existing Indemnification Agreement entered into on February 7, 2001 in favor of the Executive (copy annexed) and (b) Section 5(C) and 8 of the Original Agreement as amended in the Amended Agreement in favor of the Executive (together, "the Indemnification Agreements") shall remain in effect as joint and several obligations of LTFS, LTCI and LCMI. Without limiting the foregoing, simultaneously with the full execution of this Agreement, LCMI shall pay the sum of $14,600.00 to Esanu Katsky Korins & Siger, LLP, which shall constitute full payment of all time and disbursement charges incurred by such firm in connection with services rendered for the benefit of the Executive in connection with the review and negotiation of this Agreement through the date hereof.

3.7 CLAIMS. LTFS, LTCI and LCMI (in the case of LCMI, based on the knowledge of Victor M. Rivas, Co-Chairman, and Joseph Giovanniello, Jr., General Counsel) hereby represent to Executive that none of them or any of their affiliates presently is aware of facts sufficient to support a claim against Executive.

3.8 AMENITIES. During the Term, the Executive shall be provided at LTCI's expense with a desktop computer, and the following market data services: Williams O'Neil Direct Access ("WONDA") (two access codes), E-Signal Service, Lancer Analytics and Washington Service. Provision of WONDA shall continue until August 31, 2006 or until the Company ceases to use WONDA, whichever first occurs. LTCI shall pay Executive's applicable securities registration and licensing costs.

3.9 STOCK OPTIONS. Notwithstanding anything to the contrary set forth herein, and unless the Executive's employment hereunder is terminated for cause, the Company agrees to employ the Executive hereunder as a registered representative of LTCI, or in

some other mutually agreed upon capacity, from September 1, 2004 through January 31, 2005 sufficient to cause all unexercised options heretofore issued to the Executive and to MZ Trading LLC (including, without limitation, under that certain letter agreement between LTFS and MZ Trading LLC dated August 20, 2003) to fully vest in accordance with their terms. In the event that any sums earned by the Executive or MZ Trading LLC as a result of exercising stock options heretofore issued to them are to be returned or recaptured by the Company pursuant to the 1999 Performance Equity Plan or other plan under which such options were issued for any reason other than the termination of the Executive for cause, then the Company

agrees to promptly pay the Executive an equal amount hereunder as a complete offset such that no sums need actually be paid by the Executive.

3.10 HEDGE FUND PAYMENT. If Ladenburg Capital Fund Management Inc., the general partner of the Ladenburg Focus Fund LP (the "Fund") , is paid any performance, management or other fee in connection with the Fund (the "Fund Fee") during or relating to the period ending December 31, 2003, the Executive shall be paid a percentage of the Fund Fee within 10 days after the Fund's receipt thereof. Such percentage of the Fund Fee shall be 20%.

4. CONFIDENTIALITY, ETC.

4.1 The Executive covenants and agrees that he shall treat as confidential all information and financial matters of LTFS and its subsidiaries and affiliates, other than information which becomes generally available to the public otherwise than through disclosure by the Executive (collectively "Confidential Information"), including, without limitation, trade secrets, client lists, pricing policies, operational methods, research projects and technical processes, and that he shall not disclose, communicate or divulge any Confidential Information to any person or entity other than LTFS or its subsidiaries and affiliates and that he shall not use any Confidential Information for the benefit of any

person or entity other than LTFS, its subsidiaries and affiliates unless expressly authorized in writing by the Board, provided, however, that the foregoing shall not preclude the Executive from (a) divulging information in what he reasonably and in good faith believes is in the ordinary course of LTCI business or is required to be disclosed pursuant to regulatory requirement to regulatory agencies or otherwise required pursuant to applicable law, or (b) soliciting his existing clients to go to another firm, or from transacting business with his existing clients.

4.2 The Executive agrees that during the period he is employed hereunder and for a period of one (1) year thereafter, he will not, without the prior written consent of the Company, directly or indirectly (including without limitation by assisting any other person or entity to do so or identifying for any other person or entity), solicit, entice, persuade, or induce any then-current employee, director, officer, associate, or substantially full-time consultant, agent or independent contractor of the Company or its affiliates (i) to terminate such person's employment or engagement by the Company or an affiliate or (ii) to become employed by any person, firm, partnership, corporation, or other entity other than the Company or its affiliates.

4.3 The Executive agrees that during the period he is employed hereunder and for a period of one (1) year thereafter, he will not, without the prior written consent of the Company, directly or indirectly (including without limitation by assisting any other person or entity to do so or

identifying for any other person or entity), contact any customer of LTFS or any subsidiary or affiliate for the purpose of soliciting securities business, except that this provision shall not preclude Executive from contacting or transacting business with any of his existing clients.

4.4 If the Executive commits a material breach, or is about to commit a material breach, of any of the provisions of Sections 4.1, 4.2 or 4.3 above, the Company shall have the right to have the provisions of this Agreement specifically enforced by any

court having equity jurisdiction without being required to post bond or other security and without having to prove the inadequacy of the available remedies at law (the foregoing being expressly waived by the Executive hereby), it being acknowledged and agreed by the Executive hereby that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. In addition, the Company may take all such other actions and remedies available to it under the law and in equity and shall be entitled to such damages as it can show it has sustained by reason of such breach.

5. TERMINATION.

5.1 If the Company terminates the Executive's employment hereunder for any reason, the Company shall be obligated to pay to the Executive, within 30 days of such termination all sums due to Executive under this Agreement to the extent they have not yet been paid, without offset or deduction other than required withholding amounts. If Executive terminates his employment hereunder for a reason not relating to the Company's breach hereof, the unpaid sums due under sections 3.1, 3.2 and 3.3 will be paid within 30 days, without offset or deduction other than required withholding amounts; the salary to be paid under section 3.1 will continue to be paid monthly, without offset or deduction other than required withholding amounts; Executive shall have no obligation to mitigate damages; if Executive is employed by or performs any services for a competitor to LTFS or any of its affiliates, Executive shall resign from the Board of LTFS. Sections 7(A) and 7(E) of the Original Agreement, as amended in the Amended Agreement, shall remain in effect; provided, however, that the Executive's (and his dependents') participation in any and all life, disability, medical and dental insurance plans shall be continued, or equivalent benefits provided to him or them by the Company, at no cost to him or them, with medical insurance and reimbursement benefits, consistent with past practices, through August 24, 2006.

5.2 In the event of the Executive's death during the Term, this Agreement shall be terminated, except that the

Company shall pay to the Executive's spouse or designated beneficiary, if he is survived by a spouse or designated beneficiary, or if not, to his estate, for one year from the date of death (which may extend beyond the Term), to the extent not already paid: (1) an amount equal to the Executive's Base Salary for such period; (2) the Additional Compensation, if any, for such period; (3) any remaining payments due under section 3.1, paid monthly; and (4) benefits under sections 3.2 and 3.4.

5.3 For the avoidance of doubt, the following provisions of this Agreement shall survive the termination of this Agreement for any reason: Sections 3.1,3.2,3.3,3.4,3.6,3.8,3.9,3.10 and 5. In addition, LTFS shall be jointly responsible for and guarantee the obligations hereunder of LTCI and Ladenburg Capital Management Inc.

6. NON-ASSIGNMENT. This Agreement and all of the Executive's rights and obligations hereunder are personal to the Executive and shall not be assignable; PROVIDED, HOWEVER, that upon his death all of the Executive's rights to cash payments under this Agreement shall inure to the benefit of his widow, personal representatives, designees or other legal representatives, as the case may be. Any person, firm or corporation succeeding to the business of the Company by merger, purchase, consolidation or otherwise may assume by contract or operation of law the obligations of the Company hereunder, PROVIDED, HOWEVER, that the Company shall, notwithstanding such assumption, remain liable and responsible for the fulfillment of its obligations under this Agreement. This Agreement shall be binding upon the parties, their successors, heirs, administrators and permitted assigns.

7. OTHER PROVISIONS.

7.1 NOTICES.Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail,

postage prepaid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed, or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mail, as follows:

(i) if to the Company, to:

Ladenburg Thalmann & Co. Inc.
590 Madison Avenue
New York, NY 10022

Attention: Mr. Victor M. Rivas

(ii) if to the Executive, to;

Mr. Mark Zeitchick
961 Hyacinth Drive
Delray Beach, FL 33483

Any party may change its address for notice hereunder by notice to the other party hereto.

7.2 ENTIRE AGREEMENT.This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior representations, warranties and agreements, written or oral, with respect thereto. All provisions of the Amended Agreement are no longer in effect except for those provisions thereof which are (i) specifically referenced herein, or (ii) which are related to, dependent upon, or which are necessary to implement, those provisions of the Amended Agreement described in this Agreement. Those provisions described in (i) and (ii) immediately above are hereby confirmed and shall remain in full force and effect. All capitalized terms which are not defined herein shall have the respective definitions ascribed thereto in the Amended Agreement.

7.3 WAIVERS AND AGREEMENTS. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in

exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

7.4 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to its principle of conflicts of law.

7.5 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original but both of which together shall constitute one and the same instrument.

7.6 HEADINGS. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

8. ARBITRATION. Section 15 of the Original Agreement, as amended in the Amended Agreement, shall continue in effect.

9. SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, this Agreement shall become effective as of the date that this Agreement is signed and delivered by the parties.

The Representations As to LCMI Set Forth In Section 3.7 Above Are Hereby Confirmed By the Undersigned As To Themselves

/s/ Victor M. Rivas
- ----------
Victor M. Rivas

/s/ Joseph Giovanniello, Jr.
- ----------
Joseph Giovanniello, Jr.

Ladenburg Thalmann Financial Services Inc.

By: /s/ Victor M. Rivas

Ladenburg Thalmann & Co. Inc

By: /s/ Victor M. Rivas

Ladenburg Capital Management Inc.

By: /s/ Joseph Giovanniello, Jr.

/s/ Mark Zeitchick

Mark Zeitchick

Exhibit 10.48

AMENDMENT TO EMPLOYMENT AGREEMENT

WHEREAS LADENBURG THALMANN FINANCIAL SERVICES INC. (formerly known as GBI Capital Management Corp.) and LADENBURG CAPITAL MANAGEMENT INC. (formerly known as GBI Capital Partners Inc.) and VINCENT A. MANGONE (the "Executive") have entered into an EMPLOYMENT AGREEMENT, dated as of August 24, 1999 ("Original Agreement"), a first amendment to the Agreement dated February 8, 2001, a letter amendment dated February 8, 2001, a letter amendment dated May 7,2001, a second amendment dated August 30, 2001 (dated August 31, 2001 in the Form 8-K/A filed on September 10, 2001 by LTFS, as hereafter defined), and a letter amendment dated October 10, 2002 (together, the "Amended Agreement"); and

WHEREAS the parties desire to further amend the Amended Agreement;

NOW THEREFORE, in consideration of the mutual promises and agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows ("this Agreement"):

1. TERM OF EMPLOYMENT. The term of the Executive's employment under this Agreement shall be through August 31, 2004 (the "Term").

2. DUTIES OF EMPLOYMENT. The Executive hereby agrees that he will serve as a registered representative of Ladenburg Thalmann & Co. Inc. ("LTCI"), a wholly owned subsidiary of Ladenburg Thalmann Financial Services Inc. ("LTFS"), and LTCI and LTFS (sometimes, collectively, the "Company") agree to employ the Executive, subject to regulatory requirements; Executive will not be required to enter into any "Association Agreement"; except as may be required for compliance, registration, or regulatory reasons, Executive will not be subject to any attendance policy; Executive shall provide such services as may be mutually agreed upon by LTCI or LTFS, on the one hand, and Executive, on the other. Except as specifically provided herein, Executive shall have no duty or obligation to provide any services hereunder. Executive shall remain as a director of LTFS (and LTFS agrees to nominate and elect Executive to serve in such capacity for as long as Executive wishes to serve; otherwise, effective as of the close of business on December 31, 2003, Executive hereby resigns as an officer of LTFS and resigns as an officer and director of all affiliates and subsidiaries of LTFS. The Executive will execute such other documents relative to such resignations as may be requested by LTFS and its affiliates and subsidiaries.

3. COMPENSATION AND OTHER BENEFITS.

3.1 SALARY. Effective as of January 1, 2004, the full base compensation for all services to be rendered by the Executive hereunder (including Executive's service as a LTFS director) that LTCI shall pay to the Executive (or to another company, employee , or other person or entity designated by Executive from time to time)shall be amended to a base salary (gross pretax) at a monthly rate of $3,750.00, in accordance with usual payroll practices for executives. The monthly base salary set forth in this Section 3.1 shall hereinafter be referred to as the "Base Salary." LTCI shall withhold or cause to be withheld from the Base Salary (and other amounts

hereunder) all taxes and other amounts as are required by law to be withheld.

3.2 INCENTIVE AND BONUS PLANS. Effective as of January 1, 2004, the percentage of Total Revenue that the Executive shall be entitled to receive under the Incentive Plan shall be amended to 0.25335 per cent. The Company's obligation to compensate the Executive for the Executive's participation in the Bonus Plan shall continue for the balance of the Term, and payment thereunder shall continue in accord with past practice notwithstanding that actual payment is not effected until after the expiration of the Term. The Company shall be obligated to pay all sums due to Executive under Sections 3.1 and 3.2 hereof, which obligation shall be absolute and unconditional.

3.3 ADDITIONAL COMPENSATION. In addition to the Base Salary, the Executive will be eligible to receive additional compensation as follows: (i) 50% payout on all of Executive's retail brokerage production in accordance with standard LTCI procedures on

terms no less favorable than those currently in effect as of the date of this Agreement, and (ii) 15% of any pay or compensation received by LTCI or any affiliate thereof as a finders fee for corporate finance transactions entered into within 18 months after introduction to LTCI by the Executive to be paid on terms no less favorable than those currently in effect as of the date of this Agreement which in no event will be more than 30 days after receipt by LTCI or any such affiliate, provided, however, that the finder's fee for any single transaction shall be reduced by any amount that LTCI is obligated to pay to another finder. The payments under (i) and (ii) shall be termed "Additional Compensation." As of January 1, 2004, the Executive shall no longer participate in any special override or other bonus program not referred to specifically above; provided, however, that the Executive shall continue to be paid any such benefits earned through December 31, 2003 in accordance with past practices. Any outstanding expenses incurred by the Executive in connection with his employment that remain unpaid as of the date hereof, as well as any expenses reasonably incurred by Executive in carrying out his duties for the Company will be paid in accordance with firm policy. Further, while he is employed at LTCI, to the extent that LTFS stock options under the Ladenburg Thalmann Financial Services Inc. 1999 Performance Equity Plan are distributed to registered representatives based on their level of commission production, the Executive shall participate in such distribution based on his level of commission production.

3.4 PARTICIPATION IN INSURANCE AND OTHER PLANS. Section 5(A) of the Original Agreement, as amended in the Amended Agreement, shall remain in effect. During the Term, the Executive shall be promptly reimbursed for all out-of-pocket expenses, including expenses for spouse and children (to the extent permitted under the terms of the plan), not reimbursed under the LTCI health insurance plan.

3.5 OFFICE. During the Term, the Executive shall be provided with a semi-private office at the Company's office in Melville, New York, or, if the Company moves, at such other office of the Company in New York proximate to the Executive's home.

3.6 INDEMNIFICATION. Both (a) the existing Indemnification Agreement entered into on February 7, 2001 in favor of the Executive (copy annexed) and (b) Section 5(C) and 8 of the Original Agreement as amended in the Amended Agreement in favor of the Executive (together, "the Indemnification Agreements") shall remain in effect as joint and several obligations of LTFS, LTCI and LCMI. Without limiting the foregoing, simultaneously with the full execution of this Agreement, LCMI shall pay the sum of $14,600.00 to Esanu Katsky Korins & Siger, LLP, which shall constitute full payment of all time and disbursement charges incurred by such firm in connection with services rendered for the benefit of the Executive in connection with the review and negotiation of this Agreement through the date hereof.

3.7 CLAIMS. LTFS, LTCI and LCMI (in the case of LCMI, based on the knowledge of Victor M. Rivas, Co-Chairman, and Joseph Giovanniello, Jr., General Counsel) hereby represent to Executive that none of them or any of their affiliates presently is aware of facts sufficient to support a claim against Executive.

3.8 AMENITIES. During the Term, the Executive shall be provided at LTCI's expense with a desktop computer, and the following market data services: Williams O'Neil Direct Access ("WONDA") (one access code), E-Signal Service, Lancer Analytics and Washington Service. Provision of WONDA shall continue until August 31, 2006 or until the Company ceases to use WONDA, whichever first occurs. LTCI shall pay Executive's applicable securities registration and licensing costs.

3.9 STOCK OPTIONS. Notwithstanding anything to the contrary set forth herein, and unless the Executive's employment hereunder is terminated for cause, the Company agrees to employ the Executive hereunder as a registered representative of LTCI, or

in some other mutually agreed upon capacity, from September 1, 2004 through January 31, 2005 sufficient to cause all unexercised options heretofore issued to the Executive to fully vest in accordance with their terms. In the event that any sums earned by the Executive as a result of exercising stock options heretofore issued to them are to be returned or recaptured by the Company pursuant to the 1999 Performance Equity Plan or other plan under which such options were issued for any reason other than the termination of the Executive for cause, then the Company agrees to promptly pay the Executive an equal amount hereunder as a complete offset such that no sums need actually be paid by the Executive.

3.10 HEDGE FUND PAYMENT. If Ladenburg Capital Fund

Management Inc., the general partner of the Ladenburg Focus Fund LP (the "Fund") , is paid any performance, management or other fee in connection with the Fund (the "Fund Fee") during or relating to the period ending December 31, 2003, the Executive shall be paid a percentage of the Fund Fee within 10 days after the Fund's receipt thereof. Such percentage of the Fund Fee shall be 20%.

4. CONFIDENTIALITY, ETC.

4.1 The Executive covenants and agrees that he shall treat as confidential all information and financial matters of LTFS and its subsidiaries and affiliates, other than information which becomes generally available to the public otherwise than through disclosure by the Executive (collectively "Confidential Information"), including, without limitation, trade secrets, client lists, pricing policies, operational methods, research projects and technical processes, and that he shall not disclose, communicate or divulge any Confidential Information to any person or entity other than LTFS or its subsidiaries and affiliates and that he shall not use any Confidential Information for the benefit of any person or entity other than LTFS, its subsidiaries and affiliates unless expressly authorized in writing by the Board, provided, however, that the foregoing shall not

preclude the Executive from (a) divulging information in what he reasonably and in good faith believes is in the ordinary course of LTCI business or is required to be disclosed pursuant to regulatory requirement to regulatory agencies or otherwise required pursuant to applicable law, or (b) soliciting his existing clients to go to another firm, or from transacting business with his existing clients.

4.2 The Executive agrees that during the period he is employed hereunder and for a period of one (1) year thereafter, he will not, without the prior written consent of the Company, directly or indirectly (including without limitation by assisting any other person or entity to do so or identifying for any other person or entity), solicit, entice, persuade, or induce any then-current employee, director, officer, associate, or substantially full-time consultant, agent or independent contractor of the Company or its affiliates (i) to terminate such person's employment or engagement by the Company or an affiliate or (ii) to become employed by any person, firm, partnership, corporation, or other entity other than the Company or its affiliates.

4.3 The Executive agrees that during the period he is employed hereunder and for a period of one (1) year thereafter, he will not, without the prior written consent of the Company, directly or indirectly (including without limitation by assisting any other person or entity to do so or identifying for any other person or entity), contact any customer of LTFS or any subsidiary or affiliate for the purpose of soliciting securities business, except that this provision shall not preclude Executive from contacting or transacting business with any of his existing clients.

4.4 If the Executive commits a material breach, or is about to commit a material breach, of any of the provisions of Sections 4.1, 4.2 or 4.3 above, the Company shall have the right to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction without being required to post bond or other security and without having to prove the inadequacy of the available remedies at law (the foregoing

being expressly waived by the Executive hereby), it being acknowledged and agreed by the Executive hereby that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. In addition, the Company may take all such other actions and remedies available to it under the law and in equity and shall be entitled to such damages as it can show it has sustained by reason of such breach.

5. TERMINATION.

5.1 If the Company terminates the Executive's employment hereunder for any reason, the Company shall be obligated to pay to the Executive, within 30 days of such termination all sums due to Executive under this Agreement to the extent they have not yet been paid, without offset or deduction other than required withholding amounts. If Executive terminates his employment hereunder for a reason not relating to the Company's breach hereof, the unpaid sums due under sections 3.1, 3.2 and 3.3 will be paid within 30 days, without offset or deduction other than required withholding amounts; the salary to be paid under section 3.1 will continue to be paid monthly, without offset or deduction other than required withholding amounts; Executive shall have no obligation to mitigate damages; if Executive is employed by or performs any services for a competitor to LTFS or any of its affiliates, Executive shall resign from the Board of LTFS. Sections 7(A) and 7(E) of the Original Agreement, as amended in the Amended Agreement, shall remain in effect; provided, however, that the Executive's (and his dependents') participation in any and all life, disability, medical and dental insurance plans shall be continued, or equivalent benefits provided to him or them by the Company, at no cost to him or them, with medical insurance and reimbursement benefits, consistent with past practices, through August 24, 2006.

5.2 In the event of the Executive's death during the Term, this Agreement shall be terminated, except that the Company shall pay to the Executive's spouse or

designated beneficiary, if he is survived by a spouse or designated beneficiary, or if not, to his estate, for one year from the date of death (which may extend beyond the Term), to

the extent not already paid: (1) an amount equal to the Executive's Base Salary for such period; (2) the Additional Compensation, if any, for such period; (3) any remaining payments due under section 3.1, paid monthly; and (4) benefits under sections 3.2 and 3.4.

5.3 For the avoidance of doubt, the following provisions of this Agreement shall survive the termination of this Agreement for any reason: Sections 3.1,3.2,3.3,3.4,3.6,3.8,3.9,3.10 and 5. In addition, LTFS shall be jointly responsible for and guarantee the obligations hereunder of LTCI and Ladenburg Capital Management Inc.

6. NON-ASSIGNMENT. This Agreement and all of the Executive's rights and obligations hereunder are personal to the Executive and shall not be assignable; PROVIDED, HOWEVER, that upon his death all of the Executive's rights to cash payments under this Agreement shall inure to the benefit of his widow, personal representatives, designees or other legal representatives, as the case may be. Any person, firm or corporation succeeding to the business of the Company by merger, purchase, consolidation or otherwise may assume by contract or operation of law the obligations of the Company hereunder, PROVIDED, HOWEVER, that the Company shall, notwithstanding such assumption, remain liable and responsible for the fulfillment of its obligations under this Agreement. This Agreement shall be binding upon the parties, their successors, heirs, administrators and permitted assigns.

7. OTHER PROVISIONS.

7.1 NOTICES.Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally,

telegraphed, telexed, or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mail, as follows:

(i) if to the Company, to:
Ladenburg Thalmann & Co. Inc.
590 Madison Avenue
New York, NY 10022

Attention: Mr. Victor M. Rivas

(ii) if to the Executive, to;

Mr. Vincent A. Mangone
143 Whitewood Drive
Massapequa Drive, NY 11762

Any party may change its address for notice hereunder by notice to the other party hereto.

7.2 ENTIRE AGREEMENT.This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior representations, warranties and agreements, written or oral,

with respect thereto. All provisions of the Amended Agreement are no longer in effect except for those provisions thereof which are (i) specifically referenced herein, or (ii) which are related to, dependent upon, or which are necessary to implement, those provisions of the Amended Agreement described in this Agreement. Those provisions described in (i) and (ii) immediately above are hereby confirmed and shall remain in full force and effect. All capitalized terms which are not defined herein shall have the respective definitions ascribed thereto in the Amended Agreement.

7.3 WAIVERS AND AGREEMENTS. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor

shall any waiver on the part of any party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

7.4 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to its principle of conflicts of law.

7.5 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original but both of which together shall constitute one and the same instrument.

7.6 HEADINGS. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

8. ARBITRATION. Section 15 of the Original Agreement, as amended in the Amended Agreement, shall continue in effect.

9. SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, this Agreement shall become effective as of the date that this Agreement is signed and delivered by the parties.

The Representations As to LCMI Set Forth In Section 3.7 Above Are Hereby Confirmed By the

Undersigned As To Themselves

/s/ Victor M. Rivas
- ----------
Victor M. Rivas

/s/ Joseph Giovanniello, Jr.
- ----------
Joseph Giovanniello, Jr.

Ladenburg Thalmann Financial Services Inc.

By: /s/ Victor M. Rivas

Ladenburg Thalmann & Co. Inc

By: /s/ Victor M. Rivas

Ladenburg Capital Management Inc.

By: /s/ Joseph Giovanniello, Jr.

/s/ Vincent A. Mangone

Vincent A. Mangone

Exhibit 10.49

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, dated as of March 1, 2004, by and between Ladenburg Thalmann & Co. Inc., a Delaware corporation (the "Company"), and Salvatore Giardina (the "Executive").

W I T N E S S E T H:

WHEREAS, the Company desires to employ the Executive and the Executive desires to accept such employment on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the mutual premises and agreements herein contained, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties, intending to be legally bound, hereby agree as follows:

1. CERTAIN DEFINITIONS. For purposes of this Agreement:

1.1 "Board" means the Board of Directors of the Company, as it may be constituted from time to time.

1.2 "Cause" means (1) any willful failure or refusal by the Executive to attempt to perform his material duties which continues after written notice of such willful failure or refusal from the Board and a reasonable opportunity to cure; (2) the alcoholism or drug addiction of Executive; (3) conviction of a felony (other than a traffic violation); or (4) any action taken by a regulatory body or a self regulatory organization that substantially impairs the Executive from performing his duties.

1.3 "Good Reason" means (1) relocation of the Executive's principal place of business outside the New York, New York Area; (2) a material breach of this Agreement by the Company; provided that the Company has not remedied

such breach or other violation of a Good Reason event within thirty (30) days of receipt of written notice of such breach or other violation.

2. TERM OF EMPLOYMENT. Subject to Section 6 hereof, the term of the Executive's employment under this Agreement shall be from March __, 2004 through April 1, 2005 (the "Term").

3. DUTIES OF EMPLOYMENT. The Executive hereby agrees for the Term to serve as the Company's Executive Vice President and Chief Financial Officer and to supervise and manage on a day-to-day basis the overall accounting functions and financial reporting of the Company or to perform such other executive responsibilities as may be assigned to him from time to time by the Board or the Company's Chief Executive Officer. The Executive shall perform such duties faithfully and diligently at all times and shall devote substantially all of his business time and efforts to the performance of his services hereunder, provided that the Executive may be involved in charitable activities and, with the consent of the Company, serve on boards of directors of other companies, provided such activities do not materially interfere with performance of

Executive's obligations hereunder.

4. COMPENSATION AND OTHER BENEFITS.

4.1 SALARY. As his base compensation for all services to be rendered by the Executive hereunder, the Company shall pay to the Executive a base salary at a monthly rate of $17,833.33 in accordance with the Company's usual payroll practices for senior executives, and which shall be subject to annual increases each July 1. The monthly base salary set forth in this Section 4.1 shall hereinafter be referred to as the "Base Salary." The Company shall withhold or cause to be withheld from the Base Salary (and other amounts hereunder) all taxes and other amounts as are required by law to be withheld.

4.2 ADDITIONAL COMPENSATION. In addition to the Base Salary, the Executive will be eligible to receive additional compensation in the form of annual or other bonuses determined in the discretion of the Company.

4.3 PARTICIPATION IN EMPLOYEE BENEFIT PLANS. The Executive shall be permitted to participate in all group life, hospitalization and disability insurance plans, health programs, pension plans, similar benefit plans, sick days, personal days, payroll practices and so-called "fringe benefit programs" of the Company (including the Ladenburg Thalmann & Co. Inc. Severance Pay Program) as are now existing or adopted, as such may hereafter be revised, replaced or terminated, and offered to senior executives generally to the extent the Executive is eligible under the eligibility provisions of any such plan. Further, for as long as such benefits are offered to the Company's management employees, the Company agrees to pay for, or at its option reimburse the Executive for, the cost of the Executive's group health care premium (family coverage), until termination of employment under this Agreement. The Executive shall be entitled to receive not less than four (4) weeks of paid vacation each contract year taken at such times as mutually agreed by the Company and the Executive; any unused vacation time shall accumulate to his benefit in later years.

4.4 The Company shall indemnify and hold Executive harmless against any claims, suits, damages, losses or liabilities incurred by Executive or arising out of the acts by Executive made in the scope of his employment hereunder. The Company shall pay all costs and expenses including attorneys' fees incurred in the investigation, defense, appeal and any settlement of any such matter. Nothing contained herein shall entitle the Executive to indemnification by the Company in excess of that permitted under applicable law. This provision shall survive the termination of this Agreement.

5. CONFIDENTIALITY, ETC.

5.1 The Executive covenants and agrees that he shall treat as confidential all information and financial matters of the Company and its subsidiaries and affiliates, other than information which becomes generally available to the public otherwise than through disclosure by the Executive (collectively "Confidential Information"), including, without limitation, trade secrets, client lists, pricing policies, operational methods, research projects and technical processes, and that he shall not disclose, communicate or divulge any Confidential Information to any person or entity other than the Company or its affiliates and that he shall not use any Confidential Information for the benefit of any person or entity other than the Company or its affiliates unless expressly authorized in writing by the Board; PROVIDED, HOWEVER, that the foregoing shall not preclude the Executive from divulging information in what he reasonably and in good faith believes is in the ordinary cause of the Company's business or is required to be disclosed pursuant to regulatory requirement to regulatory agencies.

5.2 The Executive agrees that during the period he is employed hereunder and for a period of one (1) year thereafter, he will not, without the prior written consent of the Company, directly or indirectly (including without limitation by assisting any other person or entity to do so or identifying for any other person or entity), (a) solicit, entice, persuade, or induce any employee, director, officer, associate, or substantially full-time consultant, agent or independent contractor of the Company or its affiliates (i) to terminate such person's employment or engagement by the Company or an affiliate or (ii) to become employed by any person, firm, partnership, corporation, or other entity other than the Company or its affiliates nor (b) solicit or transact any business with any prior (within six (6)

months of termination) or then current customer and/or client of the Company or its affiliates.

5.3 If the Executive commits a material breach of any of the provisions of Sections 5.1 or 5.2 above, the Company shall have the right to have the provisions of this Agreement specifically enforced by any court having equity jurisdiction without being required to post bond or other security and without having to prove the inadequacy of the available remedies at law (the foregoing being expressly waived by the Executive hereby), it being acknowledged and agreed by the Executive hereby that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company. In addition, the Company may take all such other actions and remedies available to it under the law and in equity and shall be entitled to such damages as it can show it has sustained by reason of such breach.

6. TERMINATION.

6.1 Subject to the provisions of this Agreement, the

Company or the Executive may terminate the Executive's employment hereunder on thirty (30) days prior written notice to the other party, which notice shall specify in detail the basis for termination.

6.2 If the Company terminates the Executive's employment hereunder for Cause, the Company shall pay the Executive any unpaid Base Salary earned through the date of termination, as well as any payments due to Executive under Section 4.3.

6.3 If the Company terminates the Executive's employment hereunder without Cause or the Executive terminates his employment hereunder for Good Reason, the Company shall pay Executive (1) any unpaid Base Salary earned

through the date of termination, (2) the Additional Compensation, if any, for periods preceding the date of termination to the extent not already paid, (3) as liquidated damages an amount equal to the greater of (A) his then-current annual salary multiplied by the number of years and partial years remaining to the end of the original term or (B) amounts due the Executive under the Ladenburg Thalmann Severance Pay Program, as well as (4) any payments due to Executive under Section 4.3. The Company's obligations pursuant to this Section 6.3 are not subject to the Executive's duty to mitigate damages by seeking other employment nor shall the aforesaid payments be reduced by amounts otherwise earned by the Executive.

6.4 The Company shall pay to the Executive, his spouse, designated beneficiary or estate, as the case may be, any amounts owing pursuant to this Section 6 in a single lump sum within thirty (30) days following termination of the Executive's employment.

6.5 On termination of employment, the Executive shall promptly return to the Company all documents, materials, papers, data, statements and any other written material (including but not limited to all copies thereof) belonging to the Company and other property of the Company.

7. EXPENSES. The Company shall reimburse the Executive for his reasonable out-of-pocket expenses incurred pursuant to this Agreement and in connection with the performance of his duties under this Agreement, in accordance with the general policy of the Company, upon submission of satisfactory documentation evidencing such expenditures.

8. NON-ASSIGNMENT. This Agreement and all of the Executive's rights and obligations hereunder are personal to the Executive and shall not be assignable; PROVIDED, HOWEVER, that upon his death all of the Executive's rights to cash payments under this Agreement shall inure to the benefit of his widow, personal representatives, designees or other

legal representatives, as the case may be.
Any person, firm or corporation succeeding to the business of the Company by

merger, purchase, consolidation or otherwise may assume by contract or operation of law the obligations of the Company hereunder; PROVIDED, HOWEVER, that the Company shall, notwithstanding such assumption, remain liable and responsible for the fulfillment of its obligations under this Agreement. This Agreement shall be binding upon the parties, their successors, heirs, administrators and permitted assigns.

9. OTHER PROVISIONS.

9.1 NOTICES. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mail, as follows:

(i) if to the Company, to:

Ladenburg Thalmann & Co. Inc.
590 Madison Avenue
New York, NY 10022
Attention: Chief Executive Officer
Facsimile: (212) 409-2101

(ii) if to the Executive, to;

Mr. Salvatore Giardina
1 Wilfred Road
Manalapan, NJ 07726
Facsimile:

Any party may change its address for notice hereunder by notice to the other party hereto.

9.2 ENTIRE AGREEMENT. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and

supersedes all prior representations, warranties and agreements, written or oral, with respect thereto.

9.3 WAIVERS AND AGREEMENTS. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms and conditions hereof may be waived, only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any right, power or privilege hereunder, nor any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9.4 GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of New York, without regard to its principle of

conflicts of law.

9.5 COUNTERPARTS. This Agreement may be executed in two counterparts, each of which shall be deemed an original but both of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

9.6 HEADINGS. The headings in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

10. ARBITRATION. The parties hereto agree that, except as provided in Section 5.3, any controversy or claim arising out of this Agreement or the Executive's employment hereunder (including without limitation any claims the Executive may have under federal, state or local discrimination laws) shall be determined by arbitration. Any arbitration under this Agreement shall be conducted pursuant to the Federal Arbitration Act and the substantive laws

of the State of New York before the New York Stock Exchange in accordance with its constitution and rules. Such arbitration shall be held in New York City. The decision of the arbitrator(s) shall be final and binding upon the parties. The costs of arbitration, including the fees and expenses of the arbitrator, shall be borne fifty percent by the Company, on the one hand, and fifty percent by the Executive, on the other, but each shall pay its own attorneys' fees and other professional costs and expenses. Any decision rendered by the arbitrator, except as provided above, shall be final and binding and may be entered in any court having jurisdiction.

11. SEVERABILITY. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written.

Ladenburg Thalmann & Co. Inc.

By: /s/ Victor M. Rivas

/s/ Salvatore Giardina

Salvatore Giardina

Exhigit 10.50

SEVERANCE AGREEMENT, WAIVER, AND RELEASE

This Severance Agreement, Waiver, and Release (the "Agreement"), dated as of March 9, 2004, is entered into by Victor Rivas ("Rivas") and Ladenburg Thalmann & Co. Inc., a Delaware corporation ("Ladenburg").

WHEREAS, Rivas has been employed by Ladenburg as its Chairman and Chief Executive Officer and as the President and Chief Executive Officer of Ladenburg Thalmann Financial Services Inc., the Company's parent ("LTFS"), pursuant to the parties' Employment Agreement, dated as of February 8, 2001 (collectively, the "Employment Agreement");

WHEREAS, Rivas now desires to retire from his positions with LTFS, Ladenburg and each of LTFS' and Ladenburg's subsidiaries and affiliates (collectively, the "Company");

WHEREAS, the parties mutually desire to resolve any and all disputes between them, including all issues pertaining to the amount and calculation of compensation and benefits due under the Employment Agreement;

NOW, THEREFORE, in consideration of the acts, payments, covenants, and mutual agreements herein described and agreed to be performed, Rivas and the Company agree as follows (capitalized terms not defined herein shall have the meanings ascribed to them in the Employment Agreement):

1. Effective as of the close of business on March 31, 2004, Rivas shall be deemed to have resigned from all positions with the Company.

2. In connection with Rivas' resignation, the Company shall pay Rivas, as severance, a lump sum of $448,907.10 (representing the remainder of Rivas' salary, Guaranteed Bonus and any Override under the Employment Agreement and 26 days of unused vacation) by the close of business on March 31, 2004.

3. The Company shall continue to pay or provide, consistent with the Company's prior practices applicable to Rivas immediately prior to the date hereof as if Rivas is an active employee of the Company, health benefits for Rivas (and his dependents) and all other benefits described in Section 7(E)(2) of the Employment Agreement, until the earlier of (i) Rivas' 65th birthday, and (ii) the date Rivas becomes eligible to be covered under another substantially equivalent program by reason of employment or consultancy elsewhere.

4. Rivas shall be entitled to retain his personal computer and laptop (collectively, the "Computers") used during the term of the Employment Agreement; provided, however, that the Company shall be entitled to remove from the hard drive of such Computers all files related to the business of the Company.

5. Effective March 31, 2004, the Employment Agreement shall be deemed terminated, except for the provisions of Sections 5(C), 6 and 8 thereof which shall survive termination of the Employment Agreement. For the avoidance of doubt, the restrictive covenants provided in Section 6 of the Employment Agreement (other than Section 6(A)) shall terminate on August 24, 2004.

6. The terms and provisions of the Indemnification Agreement between Rivas and LTFS, dated as of May 7, 2001 ("Indemnification Agreement"), shall remain in full force and effect and shall survive termination of the Employment Agreement.

7. The terms and provisions of the Stock Option Agreement, dated May 7, 2001, between LTFS and Rivas and the Stock Option Agreement, dated January 10, 2002, between LTFS and Rivas shall remain in full force and effect in accordance with the terms of such option agreements.

8. By the close of business on March 31, 2004, the Company shall pay Rivas a lump sum equal to earned and unpaid base salary and any unpaid business expenses as of March 31, 2004. In addition, the Company shall pay or provide Rivas with any other amounts or benefits owing to Rivas under any employee benefit plans of the Company as of March 31, 2004, which shall be paid or provided in accordance with the terms of the applicable plan. All payments and benefits described in this paragraph are referred to herein collectively as the "Accrued Amounts."

COMPLETE RELEASE

In consideration of the Company's obligations stated above, Rivas hereby forever releases the Company, its past and present employees, officers, directors, parent companies, subsidiaries, divisions, successors and assigns from all claims Rivas may now have based on his employment with the Company or the separation of that employment through the date of execution of this Agreement to the maximum extent permitted by law. This includes a release, to the maximum extent permitted by law, of any rights or claims Rivas may have under: (1) the Age Discrimination Employment Act, which generally prohibits age discrimination in employment; Title VII of the Civil Rights Act of 1964, which generally prohibits discrimination in employment based on race, color, national origin, religion or sex; the Equal Pay Act, which generally prohibits paying men and women unequal pay for equal work; the Americans with Disabilities Act, which generally prohibits discrimination on the basis of disability; the Employee Retirement Income Security Act of 1974, which governs the provision of pension and welfare benefits; and all other federal, state or local laws prohibiting employment discrimination, or (2) Section 806 of 18 U.S.C. 1514A, which generally provides certain protection for employees of publicly traded companies and all other federal, state or local laws providing similar protection. This also includes a release by Rivas of any claims for wrongful discharge, any compensation claims (other than as provided in this Agreement) or any other claims under any statute, rule, regulation, or under the common law. This release covers both claims known and unknown to Rivas based on his employment with the Company or the separation of that employment through the date of execution of this Agreement.

Rivas further promises never to file or voluntarily participate or voluntarily assist in any lawsuit, arbitration or other legal action asserting any claims that are released under this Agreement, provided, however, that nothing herein shall restrict Rivas' ability to respond to any inquiry from applicable regulatory authorities or to provide information pursuant to legal process or to participate in any lawsuit, arbitration or other legal action pursuant to legal process. If Rivas breaches this Section and files a lawsuit or arbitration based on legal claims that he has released and the court or arbitrator decides in favor of the Company, Rivas will pay for all costs incurred by the Company, including reasonable attorneys' fees, in defending against such claim.

In consideration of Rivas providing the Company with the release as referenced above, the Company for itself, and on behalf of its past, present and/or future parent companies, and any and all of its or their subsidiaries, divisions, employee benefit and/or pension plans or funds, successors and assigns, and all of its or their past and/or present employees, directors, attorneys and assigns, hereby forever

releases Rivas, his heirs, successors and assigns, from any and all claims (whether known or unknown) it may now have based upon his employment with the Company, the separation or termination of that employment, his holding any office or position with the Company or any employee benefit plan through the date of execution of this Agreement to the maximum extent permitted by law.

The Company further promises and covenants not to voluntarily participate or assist in any lawsuit, arbitration or other legal action asserting any claims that are released under this Agreement, provided, however, that nothing herein shall restrict the Company's ability to provide complete information concerning Rivas' employment when required to do so under applicable law, rule or regulatory requirements. If the Company breaches this Section and files a lawsuit or arbitration based upon legal claims that it has released and the court or arbitrator decides in favor of Rivas, the Company agrees that it will pay for all costs incurred by Rivas, including reasonable attorneys' fees, in defending against the Company's claim.

Notwithstanding anything herein to the contrary, nothing contained herein shall release any claims: (i) Rivas or the Company may have to enforce their rights under this Agreement or the Indemnification Agreement; or (ii) Rivas may have to any vested or accrued benefits under any 401(k) plan, under any stock option agreement between him and the Company, or as a shareholder of the Company.

RETURN OF MATERIALS

At the Company's request, Rivas will promptly deliver to the Company all memoranda, notes, records, reports, customer lists, manuals, drawings and other documents (and all copies thereof) relating to the business of the Company and all property associated therewith (excluding the Computers), which he may now possess or have under his control (other than his rolodex or similar address and telephone directories, any documents provided to Rivas in his capacity as a participant in any employee benefit plan or program, any agreement between Rivas and the Company with regard to Rivas' employment with, or termination from, the Company and any information that is required for the preparation of Rivas' personal tax return).

FUTURE COOPERATION

Rivas agrees to reasonably cooperate with the Company and its legal advisors in connection with business matters in which Rivas was involved or any claims investigations, administrative proceedings or lawsuits which relate to his employment with the Company and of which Rivas has knowledge. Any request for cooperation will be upon reasonable advance notice and in writing. All cooperation from Rivas will be at mutually convenient times and locations and shall be subject to Rivas' personal and business commitments. The Company shall pay Rivas' reasonable out of pocket expenses in connection with such cooperation, and the Company will pay Rivas an hourly rate mutually agreed to between the parties at the time the Company requests Rivas' reasonable cooperation (other than for cooperation during court testimony).

RIGHT TO RECOVER PAYMENTS; ARBITRATION

If Rivas materially violates his obligations under this Agreement (as determined by a court or arbitrator), and fails to cure such violation(s) within fifteen business days following receipt of notice from the Company specifically setting forth the obligation(s) violated, the paragraph(s) violated and the actions and/or inactions constituting the violation(s), the Company's obligations under this Agreement shall cease (other than any rights to indemnification or directors' and officers' insurance or the Accrued Amounts). Any controversy arising out of or relating to this Agreement shall be submitted to one arbitrator in New

York City pursuant to the National Rules for the Resolution of Employment Disputes of the American Arbitration Association. The arbitrator's award shall be final and binding on all parties, and judgment may be entered on an arbitrator's award in any court having competent jurisdiction. The losing party shall pay all costs and expenses, including reasonable legal fees, incurred by the prevailing party in any such arbitration.

NO MITIGATION/SET-OFF

Rivas is not required to seek other employment or otherwise mitigate the amount of any payments to be made by the Company pursuant to this Agreement, and there shall be no offset against any amounts due to Rivas under this Agreement on account of any remuneration attributable to any subsequent employment that Rivas may obtain. The Company's obligation to pay or provide Rivas with the amounts and benefits provided under this Agreement shall not be subject to set-off, counterclaim, or recoupment of amounts owed by Rivas to the Company except for any specific amounts that Rivas agrees he owes to the Company.

CONSULTATION WITH ATTORNEY

Rivas hereby confirms that he has been advised to consult with an attorney concerning this Agreement and acknowledges that he has had ample opportunity to do so before signing said Agreement.

ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and cannot be altered except in writing signed by both parties. Except as otherwise provided herein, the terms of this Agreement and the Indemnification Agreement supersede any other oral or written arrangement between Rivas and the Company with respect to Rivas' employment or the separation of his employment by the Company (other than any stock option or other equity agreement). Both parties acknowledge that no representations were made to induce execution of this Agreement which are not expressly contained in this Agreement.

SUCCESSORSHIP; CONTROLLING LAW

This Agreement will be binding on the Company and its successors and assigns and will also be binding on Rivas, his heirs, administrators, executors and assigns. This Agreement shall be assignable by the Company only to an acquirer of all or substantially all of the assets of the Company. The Company shall require any successor to all or substantially all of the business and/or assets of the Company, whether direct or indirect, by purchase, merger, consolidation, acquisition of stock, or otherwise, to expressly assume and agree to perform this Agreement in the same manner and to the same extent as the Company would be required to perform it if no such succession had taken place. This Agreement will be construed under the law of the State of New York, without regard to conflict of law principles.

PERIOD FOR REVIEW AND CONSIDERATION OF AGREEMENT

Rivas understands that he has a period of twenty-one (21) days from the date of this Agreement to review and consider this Agreement before signing it. Rivas may use as much of this twenty-one (21) day period as he wishes prior to signing. If Rivas has not signed and returned this Agreement to Ladenburg Thalmann & Co. Inc., at the address provided under the "Notice" paragraph below, by the date which is twenty-one (21) days after the date of this Agreement, Rivas will not be eligible to receive the payments

and benefits described in this Agreement (provided, notwithstanding the foregoing, that the Employment Agreement, the Indemnification Agreement and any stock option agreements between the Company and Rivas shall continue in accordance with their terms).

EMPLOYEE'S RIGHTS TO REVOKE AGREEMENT

Rivas may revoke this Agreement within seven (7) days of signing it. Revocation can be made by delivering a written notice of revocation to Joseph Giovanniello Jr., at the address noted in the following paragraph. If Rivas revokes this Agreement, it will not be effective or enforceable and Rivas will not receive the payments described herein (provided, notwithstanding the foregoing, that the Employment Agreement, the Indemnification Agreement and any stock option agreements between the Company and Rivas shall continue in accordance with their terms).

NOTICE

For purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or mailed by United States certified or registered mail, return receipt requested, postage prepaid, addressed to the Company at Ladenburg Thalmann & Co. Inc., 590 Madison Avenue, 34th Floor, New York, New York 10022, Legal Department, Attn: Joseph Giovanniello Jr. and to Rivas at his principal residence, as contained in the most recent records of the Company, with a copy to Proskauer Rose LLP, Andrea S. Rattner, Esq., at 1585 Broadway, New York, New York 10036 or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt. Notwithstanding the foregoing, any notice sent to Proskauer Rose LLP shall not constitute valid notice under this Agreement.

MISCELLANEOUS

The Company shall pay Rivas' reasonable attorneys' fees in connection with the negotiation and drafting of this Agreement.

In the event of Rivas' death, or a judicial determination of his incompetence, the compensation and benefits due to Rivas under this Agreement shall be paid to his estate or legal representative.

The Company hereby represents and warrants that the execution, delivery and performance of this Agreement has been duly authorized by the Company, and all actions required to execute and perform this Agreement have been duly authorized by the Company.

This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon

the same instrument.

LADENBURG THALMANN & CO. INC.

By: /s/ Robert Gorczakowski

Name: Robert Gorczakowski
Title: President

AGREED AND ACCEPTED:

LADENBURG THALMANN FINANCIAL SERVICES INC.

By: /s/ Salvatore Giardina

Name: Salvatore Giardina
Title: Vice President and Chief Financial Officer

/s/ Victor M. Rivas

Victor M. Rivas

Date: March 9, 2004

Exhibit 10.51

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT ("Agreement"), dated as of the 9th day of March, 2004 (the "Effective Date"), by and between LADENBURG THALMANN FINANCIAL SERVICES INC. (the "Company"), a Delaware corporation, and CHARLES I. JOHNSTON ("Executive").

WHEREAS, the Board of Directors of the Company (the "Board") wishes Executive to serve as President and Chief Executive Officer of the Company and various of its subsidiaries; and

WHEREAS, Executive is willing to provide his services and experience to the Company and its subsidiaries in such capacities upon the terms, conditions and provisions hereinafter set forth.

NOW, THEREFORE, in consideration of the promises and mutual representations, covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. TERM: The term of the Agreement shall commence on the Effective Date and continue until terminated as provided in Section 7 below.

2. EMPLOYMENT:

(A) Subject to the terms and conditions and for the compensation hereinafter set forth, the Company hereby agrees to employ Executive for and during the term of this Agreement. Commencing April 1, 2004, Executive shall serve as the Company's President and Chief Executive Officer. Executive's powers and duties shall be those of an executive nature which are appropriate for a President and Chief Executive Officer in accordance with the Company's By-Laws; and Executive does hereby accept such employment and agrees to devote his full business time to the performance of his duties upon the conditions hereinafter set forth. Executive shall report to the Board. During the period from the Effective Date until April 1, 2004, Executive shall assist the Company in transition matters. The Company shall not require Executive to be employed in any location other than the metropolitan New York area unless he consents in writing to such location. Commencing April 1, 2004, Executive also shall serve as Chairman and Chief Executive Officer of the Company's subsidiary, Ladenburg Thalmann & Co. Inc. ("Ladenburg").

(B) During the term of this Agreement, Executive shall be furnished with office space and facilities commensurate with his position and adequate for the performance of his duties; Executive also shall be provided with the perquisites customarily associated with the position of President and Chief Executive Officer of the Company. During the term of this Agreement, the Company and Ladenburg shall use their best efforts to cause Executive to be nominated to serve as a director of the Company and Ladenburg, and Executive agrees to serve as a director of the Company and Ladenburg, if so appointed, without additional compensation.

(C) CHARITABLE AND OTHER ACTIVITIES: Executive shall be allowed, to the extent such activities do not substantially interfere with the performance of his duties and responsibilities hereunder, (i) to manage his personal, financial and legal affairs, (ii) to be engaged in civic, charitable, religious and educational activities, and (iii) to serve on other corporate boards with the prior written approval of the Board.

3. COMPENSATION:

(A) SALARY: During the term of this Agreement, the Company agrees to pay Executive, and Executive agrees to accept, an annual salary of not less than Two Hundred and Fifty Thousand Dollars ($250,000) per year, payable in accordance with the Company's policies, for services rendered by Executive hereunder.

(B) INCREASES: The annual salary is subject to periodic increase at the discretion of the Company's Compensation Committee (the "Committee") (or the Board in lieu thereof), with such increases to take effect no later than on each anniversary date of this Agreement; PROVIDED, HOWEVER, that the Committee (or the Board in lieu thereof) shall review the annual salary for possible increase not less than annually.

(C) BONUS: The Executive shall receive a bonus of $10,417 on April 1, 2004. Thereafter, Executive may be eligible for an annual bonus from the Company determined in the discretion of the Committee (or the Board in lieu thereof). In the event that the Company establishes an annual bonus plan for the benefit of executives of the Company, Executive shall be entitled to participate in such plan on such terms and conditions determined in the discretion of the Committee (or the Board in lieu thereof).

(D) STOCK OPTIONS: On the Effective Date, the Company shall grant to Executive from the Company's 1999 Performance Equity Plan or other comparable plan (the "Stock Option Plan") stock options (the "Stock Options") to purchase two million five hundred thousand (2,500,000) shares of common stock of the Company at a purchase price equal to the Fair Market Value (as defined in the Stock Option Plan) on the Effective Date, with vesting of such Stock Options to occur in five annual installments commencing on the first anniversary of the Effective Date, but in any event to be 100% vested upon a Change in Control (as defined herein), in each case subject to Executive's continued employment through the applicable vesting date, and with such other terms and conditions as the Committee shall determine. The terms of the Stock Options shall be subject to adjustment for stock splits, stock dividends and similar transactions as provided in the Stock Option Plan. Executive also shall be entitled to such other Stock Options as the Committee shall grant to him at any future date. To the extent that any Stock Options granted hereunder are not made pursuant to the Company's 1999 Performance Equity Plan or other plan covered by a registration statement declared effective by the Securities and Exchange Commission ("SEC"), the Company agrees to file with the SEC, promptly following the Effective Date, a Form S-8 registration statement covering the shares of common stock issuable upon exercise of the Stock Options.

For purposes of this Agreement, the term "Change in Control" shall mean:

(i) consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets or stock of the Company (a "Business Combination"), in each case, unless, following such Business Combination, all or substantially all of the individuals or entities who were the beneficial owners, respectively, of the voting securities of the Company entitled to vote generally in the election of directors immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through

one or more subsidiaries); or

(ii) approval by the Company's shareholders of a complete dissolution or liquidation of the Company.

4. EXPENSES: The Company shall reimburse Executive for all reasonable and actual business expenses incurred by him in connection with his service to the Company, Ladenburg and/or any direct and/or indirect subsidiaries of such entities upon submission by him of appropriate vouchers and expense account reports.

5. BENEFITS:

(A) INSURANCE: The Company shall maintain family medical insurance for Executive. In addition, Executive and his dependents shall be entitled to participate in such other benefits as may be extended to active executive employees of the Company and/or Ladenburg and their dependents including but not limited to pension, retirement, profit-sharing, 401(k), stock option, bonus and incentive plans, group insurance, hospitalization, medical or other benefits made available by the Company to its employees generally.

(B) VACATION: Executive shall be entitled to take up to five (5) weeks paid vacation annually at a time mutually convenient to the Company and Executive. Any such vacation time not used by Executive in any one year shall accumulate to his benefit in the succeeding years.

(C) DIRECTOR AND OFFICER LIABILITY INSURANCE: During the term of this Agreement, the Company shall use its commercially reasonable efforts to obtain and maintain adequate officer and director liability insurance in such amounts as the Board shall so determine (which in no event shall be less than $2,000,000) (provided the Company shall not be required to expend on an annual basis more than 125% of the amount expended in 2003 for such coverage) and Executive shall be covered at all times by such policy in all of his capacities with the Company and/or Ladenburg. In addition, for a period of six (6) years after the termination of Executive's employment with the Company (for cause, without cause, for reason or no reason, voluntary or involuntarily), the Company shall use its commercially reasonable efforts to maintain in effect one or more policies of directors' and officers' liability insurance with respect to any claim, action, suit, proceeding or investigation arising from facts or events which occurred during the Executive's employment with the Company and/or Ladenburg and such policy or policies shall be with a carrier or carriers reasonably satisfactory to the parties intended to be

benefited thereby, and with limits, exclusions, deductibles and other characteristics no less favorable than those in place on the date the Executive ceased being an employee of the Company and/or Ladenburg (provided the Company shall not be required to expend on an annual basis more than 125% of the amount expended in 2003 for such coverage). Any and all such policies shall be issued by leading insurance carriers and shall otherwise be in form and substance reasonably satisfactory to those persons who are officers and directors of the Company as of the date hereof. The provisions of this Section 5(C) shall survive any termination of this Agreement and/or any termination of the Executive's employment with the Company.

6. RESTRICTIVE COVENANTS:

(A) Executive recognizes and acknowledges that the Company, Ladenburg and their subsidiaries, through the expenditure of considerable time and money, have developed and will continue to develop in the future information

concerning customers, clients, marketing, business and operational methods of the Company, Ladenburg and their subsidiaries and their customers or clients, contracts, financial or other data, technical data or any other confidential or proprietary information possessed, owned or used by the Company, Ladenburg and their subsidiaries, and that the same are confidential and proprietary, and are "confidential information" of the Company, Ladenburg and their subsidiaries. In consideration of his continued employment by the Company hereunder, Executive agrees that he will not, without the consent of the Board, make any disclosure of confidential information now or hereafter possessed by the Company, Ladenburg, and/or any of their current or future, direct or indirect subsidiaries (collectively, the "Group"), to any person, partnership, corporation or entity either during or after the term hereunder, except to employees of the Group and to others within or without the Group, as Executive may deem necessary in order to conduct the Group's business and except as may be required pursuant to any court order, judgment or decision from any court of competent jurisdiction. The foregoing shall not apply to information which is in the public domain on the date hereof; which, after it is disclosed to Executive by the Group, is published or becomes part of the public domain through no fault of Executive; which is known to Executive prior to disclosure thereof to him by the Group as evidenced by his written records; or, after Executive is no longer employed by the Group, which is thereafter disclosed to Executive in good faith by a third party which is not under any obligation of confidence or secrecy to the Group with respect to such information at the time of disclosure to him. The provisions of this Section 6 shall continue in full force and effect notwithstanding termination of Executive's employment under this Agreement or otherwise.

(B) Executive agrees that if the Company has made and is continuing to make all required payments to him upon and after termination of his employment, then for a period commencing on the date of termination of Executive's employment pursuant to this Agreement and ending twelve (12) months thereafter, Executive shall neither directly and/or indirectly (a) solicit, hire and/or contact any prior (within six (6) months) or then current employee of the Company and/or Ladenburg nor any of their respective direct and/or indirect subsidiaries (collectively, the "Applicable Entities"), nor (b) solicit any business with any prior (within six (6) months of termination) or then current customer and/or client of the Applicable Entities. In addition, Executive shall not attempt (directly and/or indirectly) to do anything either by himself or through others that he is prohibited from doing pursuant to this Section 6. Given that this Agreement is providing significant benefits to Executive, Executive hereby agrees that, from the

Effective Date until twelve (12) months following Executive's termination of employment hereunder, without the prior written consent of the Board, he will not, directly or indirectly, either as principal, manager, agent, consultant, officer, director, stockholder, partner, investor, lender or employee or in any other capacity, carry on, be engaged in or have any financial interest in, any business which is in competition with any business of the Applicable Entities. For purposes of this section, a business shall be deemed to be in competition with any business of the Applicable Entities if it is materially involved in the purchase, sale or other dealing in any property or the rendering of any service purchased, sold, dealt in or rendered by any member of the Applicable Entities within the same geographic area in which such member of the Applicable Entities effects such purchases, sales or dealings or renders such services; PROVIDED, HOWEVER, that for the period commencing with the termination of Executive's employment, a business shall be deemed to be in competition with any business of the Applicable Entities only if it is materially involved in the retail brokerage business. Notwithstanding the foregoing, Executive shall be allowed to make passive investments in publicly held competitive businesses as long as his ownership is less than 5% of such business.

(C) Executive acknowledges that the restrictive covenants (the "Restrictive Covenants") contained in this Section 6 are a condition of his continued employment and are reasonable and valid in geographical and temporal scope and in all other respects. If any court determines that any of the Restrictive Covenants, or any part of any of the Restrictive Covenants, is invalid or unenforceable, the remainder of the Restrictive Covenants and parts thereof shall not thereby be affected and shall be given full effect, without regard to the invalid portion. If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable because of the geographic or temporal scope of such provision, such court shall have the power to reduce the geographic or temporal scope of such provision, as the case may be, and, in its reduced form, such provision shall then be enforceable.

(D) If Executive breaches, or threatens to breach, any of the Restrictive Covenants, the Company, in addition to and not in lieu of any other rights and remedies it may have at law or in equity, shall have the right to injunctive relief; it being acknowledged and agreed to by Executive that any such breach or threatened breach would cause irreparable and continuing injury to the Company and that money damages would not provide an adequate remedy to the Company.

7. TERMINATION:

(A) DEATH: In the event of Executive's death ("Death") during the term of his employment, Executive's designated beneficiary, or in the absence of such beneficiary designation, his estate, shall be entitled to the Accrued Obligations and to the payment of Executive's salary from date of Death to the expiration of one (1) year thereafter. In addition, Executive's beneficiary and/or dependents shall be entitled, for a two (2) year period following Executive's Death during the term of his employment, to continuation, at the Company's expense, of such benefits as are then being provided to them under any plan maintained by the Company that is not qualified under Section 401(a) of the Code. For purposes of this Agreement, "Accrued Obligations" shall mean (i) all accrued but unpaid salary through the date of termination of Executive's employment, (ii) any unpaid or unreimbursed expenses incurred in accordance with this Agreement, and (iii) all compensation or benefits due to the Executive

under the terms and rules of any Company or Ladenburg compensation or benefit plan in which the Executive participates, including without limitation, any Company option plans, or otherwise required by applicable law.

(B) DISABILITY:

(i) In the event Executive, by reason of physical or mental incapacity, shall be disabled for a period of at least six (6) consecutive months ("Disability"), the Company shall have the option at any time thereafter to terminate Employee's employment hereunder for Disability. Such termination will be effective thirty (30) days after the Board gives written notice of such termination to Executive, unless Executive shall have returned to the performance of his duties prior to the effective date of the notice. Upon such termination, Executive shall be entitled to the Accrued Obligations and such benefits to which he and his dependents are entitled by law, and except as otherwise expressly provided herein, all obligations of the Company hereunder shall cease upon the effectiveness of such termination other than payment of salary earned through the date of Disability, provided that such termination shall not affect or impair any rights Executive may have under any policy of long term disability insurance or benefits then maintained on his behalf by the

Company. In addition, for a period of two (2) years following termination of Executive's employment for Disability, Executive and his dependents, as the case may be, shall continue to be eligible to participate in the group insurance, hospitalization, medical or other insurance benefits made available by the Company to its employees generally, but shall not be eligible to participate in any plans maintained by the Company that are qualified under Section 401(a) of the Code.

(ii) "Incapacity" as used herein shall mean the inability of the Executive due to physical or mental illness, injury or disease substantially to perform his normal duties as President and Chief Executive Officer. Executive's salary as provided for hereunder shall continue to be paid during any period of incapacity prior to and including the date on which Executive's employment is terminated for Disability.

(C) BY THE COMPANY FOR CAUSE:

(i) The Company shall have the right, before the expiration of the term of this Agreement, to terminate the Executive's employment hereunder and to discharge Executive for cause (hereinafter "Cause"), and all compensation to Executive shall cease to accrue upon discharge of Executive for Cause. For the purposes of this Agreement, the term "Cause" shall mean (i) Executive's conviction of a felony; (ii) the alcoholism or drug addiction of Executive; (iii) the continued and willful failure by Executive to substantially and materially perform his material duties hereunder after a reasonable notice and an opportunity to cure same; (iv) an act or acts of personal dishonesty by Executive intended to result in personal enrichment of Executive at the expense of the Company, the Company or any of their subsidiaries or affiliates or any other material breach or violation of Executive's fiduciary duty owed to the Company, Ladenburg or any of their subsidiaries or affiliates; (v) any grossly negligent act or omission or any willful and deliberate misconduct by Executive that results, or is likely to result, in material economic, or other harm, to the Company, Ladenburg or any of their subsidiaries or affiliates; or (vi) an action taken by a regulatory body or self regulatory organization that substantially impairs the Executive from performing his duties.

(ii) If the Company elects to terminate Executive's employment for Cause under (C)(i) above, such termination shall be effective fifteen (15) days after the Company gives written notice of such termination to Executive. In the event of a termination of Executive's employment for Cause in accordance with the provisions of 7(C)(i), the Company shall have no further obligation to the Executive, except for the payment of the Accrued Obligations and such benefits to which he and his dependents are entitled by law.

(D) RESIGNATION FOR REASON. Executive shall have the right to terminate his employment at any time for "good reason" (herein designated and referred to as "Reason"). The term Reason shall mean (i) the Company's failure or refusal to perform any obligations required to be performed in accordance with this Agreement after a reasonable notice and an opportunity to cure same, (ii) a material diminution in Executive's title, duties, responsibilities, reporting relationship or positions, (iii) the relocation of Executive's principal office location more than fifty (50) miles from its current location, and (iv) the failure of the Company or Ladenburg to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company.

(E) SEVERANCE: In the event Executive's employment hereunder shall be terminated by the Company for other than Cause, Death or Disability, or by Executive for Reason: (i) the Executive shall receive as severance pay in a

lump sum no later than sixty (60) days following such termination, an amount equal to (a) if Executive's employment is terminated prior to the first anniversary of the Effective Date (the "First Anniversary"), the amount of $100,000, and (b) if Executive's employment is terminated on or after the First Anniversary, one (1) year's salary based on Executive's salary on the date of termination, (ii) Executive's (and his dependents') participation in any and all life, disability, medical and dental insurance plans shall be continued, or equivalent benefits provided to him or them by the Company, at no cost to him or them, for a period of two (2) years from the termination, (iii) if the Executive's employment is terminated prior to the First Anniversary, Stock Options for 100,000 shares of common stock of the Company shall fully vest as of the date of termination and, notwithstanding the terms of any plan pursuant to which such Stock Options were granted under, shall remain exercisable for a period of twelve (12) months from the date of termination; and (iv) Executive shall be entitled to the Accrued Obligations and such benefits to which he and his dependents are entitled by law.

(F) RESIGNATION WITHOUT REASON: Executive may voluntarily resign his employment with the Company upon thirty (30) days' written notice to the Company without any liability to Executive. In the event Executive resigns without reason prior to the expiration of this Agreement, he shall receive only the Accrued Obligations and such benefits to which he and his dependents are entitled by law.

8. INDEMNIFICATION: The Company and Ladenburg hereby jointly and severally indemnify and hold Executive harmless to the extent of any and all claims, suits, proceedings, damages, losses or liabilities incurred by Executive and arising out of any acts or decisions done or made in the authorized scope of his employment hereunder. The Company and Ladenburg hereby jointly and severely agree to pay all expenses, including reasonable attorneys' fees and expenses (of the attorney or firm chosen by Executive), actually incurred by Executive (when such expenses are incurred) in connection with the investigation of any such matter, the defense

of any such action, suit or proceeding and in connection with any appeal thereon including the cost of settlements. Nothing contained herein shall entitle Executive to indemnification by the Company and Ladenburg in excess of that permitted under applicable law. The obligations of the Company and Ladenburg set forth herein shall survive any termination of this Agreement and/or Executive's employment with the Company. To the extent this Agreement is inconsistent with any separate indemnification agreement between Executive and the Company, the separate indemnification agreement shall prevail.

9. WAIVER: No delay or omission to exercise any right, power or remedy accruing to either party hereto shall impair any such right, power or remedy or shall be construed to be a waiver of or an acquiescence to any breach hereof. No waiver of any breach hereof shall be deemed to be a waiver of any other breach hereof theretofore or thereafter occurring. Any waiver of any provision hereof shall be effective only to the extent specifically set forth in the applicable writing. All remedies afforded to either party under this Agreement, by law or otherwise, shall be cumulative and not alternative and shall not preclude assertion by either party of any other rights or the seeking of any other rights or remedies against the other party.

10. GOVERNING LAW: The validity of this Agreement or of any of the provisions hereof shall be determined under and according to the laws of the State of New York, and this Agreement and its provisions shall be construed according to the laws of the State of New York, without regard to the principles of conflicts of law and the actual domiciles of the parties hereto.

11. NOTICES: All notices, demands or other communications required or permitted to be given in connection with this Agreement shall be given in writing, shall be transmitted to the appropriate party by hand delivery, by certified mail, return receipt requested, postage prepaid or by overnight carrier and shall be addressed to a party at such party's address shown on the signature page hereof. A party may designate by written notice given to the other parties a new address to which any notice, demand or other communication hereunder shall thereafter be given. Each notice, demand or other communication transmitted in the manner described in this Section 11 shall be deemed to have been given and received for all purposes at the time it shall have been (i) delivered to the addressee as indicated by the return receipt (if transmitted by mail) or the affidavit of the messenger (if transmitted by hand delivery or overnight carrier) or (ii) presented for delivery during normal business hours, if such delivery shall not have been accepted for any reason.

12. ASSIGNMENTS: This Agreement shall be binding upon and inure to the benefit of the parties hereto and each of their respective successors, assigns, heirs and legal representatives; PROVIDED, HOWEVER, that Executive may not assign or delegate his obligations, responsibilities and duties hereunder except as may otherwise be expressly agreed to in writing by the parties hereto. The Company and Ladenburg will require any such purchaser, successor or assignee to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company and Ladenburg would be required to perform it if no such purchase, succession or assignment had taken place. If Executive shall die, all amounts then payable to Executive hereunder shall be paid in accordance with the terms of this Agreement to Executive's devisee, legatee or other designee or, if there be no such designee, the Executive's estate.

13. MISCELLANEOUS: This Agreement contains the entire understanding between the parties hereto and supersedes all other oral and written agreements or understandings between them with respect to the subject matter hereof. No modification or addition hereto or waiver or cancellation of any provision shall be valid except by a writing signed by the party to be charged therewith.

14. SEVERABILITY: The parties agree that if any of the covenants, agreements or restrictions contained herein are held to be invalid by any court of competent jurisdiction, the remainder of the other covenants, agreements, restrictions and parts thereof herein contained shall be severable so not to invalidate any others and such other covenants, agreements, restrictions and parts thereof shall be given full effect without regard to the invalid portion.

15. ARBITRATION: Any and all disputes, controversies, or differences, whether arising or commenced during or subsequent to the term hereof, which may arise between the parties directly and/or indirectly out of or in relation to or in connection with this Agreement, or for the breach of this Agreement, shall be settled by arbitration in New York City, New York before three arbitrators under the commercial arbitration rules of the American Arbitration Association then in effect. Each of the arbitrators shall be appointed by the American Arbitration Association. Such arbitration shall be final and binding and shall be limited to an interpretation and application of the provisions of this Agreement and any related agreements or documents. Any arbitral award shall be enforceable in any court, wherever located, having jurisdiction over the party against whom the award was rendered. In addition, with respect to any such arbitration or enforcement proceedings, the losing party thereto shall bear all of its and the winning parties' attorneys' fees and expenses, court costs, and all other costs and expenses reasonably associated with such arbitration or enforcement proceedings (i.e., travel, lodging, telecommunications charges).

16. LEGAL EXPENSES: The Company will pay Executive for all reasonable

legal fees and expenses in connection with the preparation of this Agreement (and any agreements related hereto).

17. SURVIVAL OF OPERATIVE SECTIONS: The respective rights and obligations of the parties hereto, including, without limitation, the rights and obligations set forth in Sections 5(c), 6 through 17 of this Agreement, shall survive any termination of this Agreement to the extent necessary to preserve all such rights and obligations until discharged in full.

18. COUNTERPARTS: This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the day and year first above written.

LADENBURG THALMANN FINANCIAL SERVICES INC.

By: /s/ Salvatore Giardina

Name: Salvatore Giardina
Title: Vice President and Chief Financial Officer

ADDRESS: 590 Madison Avenue
New York, NY 10022

/s/ Charles I. Johnston

Charles I. Johnston, Executive

ACKNOWLEDGED AND AGREED:

LADENBURG THALMANN & CO. INC.

By: /s/ Robert M. Gorczakowski

Name: Robert M. Gorczakowski
Title: President and Chief Operating Officer

ADDRESS: 590 Madison Avenue
New York, NY 10022

Exhibit 10.52

LADENBURG THALMANN FINANCIAL SERVICES INC.
590 MADISON AVENUE, 34TH FLOOR
NEW YORK, NY 10022

As of March 9, 2004

Mr. Charles I. Johnston

Dear Mr. Johnston:

We are pleased to inform you that Ladenburg Thalmann Financial Services Inc. (the "Company") has granted you a nonqualified option (the "Option") to purchase 1,000,000 shares of the Company's common stock, par value $.0001 per share (the "Common Stock"), at a purchase price of $0.75 per share (any of the underlying shares of Common Stock to be issued upon exercise of the Option are referred to hereinafter as the "Shares"), pursuant to the Company's 1999 Performance Equity Plan, as may be and is in effect and as amended from time to time (the "Plan"). Except as otherwise provided herein, this agreement is subject in all respects to the terms and provisions of the Plan, all of which terms and provisions are made a part of and incorporated in this agreement as if they were each expressly set forth herein. Except as otherwise provided herein, in the event of any conflict between the terms of this agreement and the terms of the Plan, the terms of the Plan shall control.

1. Subject to the terms hereof, the Option may be exercised on or prior to March 8, 2014 (after which date the Option will, to the extent not previously exercised, expire). The Option shall vest and become exercisable as to 200,000 of the Shares on and after each of March 9, 2005, 2006, 2007, 2008 and 2009, provided you are then employed by the Company and/or one of its Subsidiaries (as defined in the Plan); provided, however, that the entire Option shall vest earlier and become immediately exercisable upon (i) the occurrence of a "Change in Control" as defined in Section 3(D) of the Employment Agreement dated as of March 9, 2004, by and between you and the Company, regardless of whether the Employment Agreement is then in effect (the "Employment Agreement"), or (ii) the termination of your employment with the Company due to death or Disability (as defined in Section 7(B) of the Employment Agreement).

2. The Option, from and after the date it vests and becomes exercisable pursuant to Section 1 hereof, may be exercised in whole or in part by delivering to the Company a written notice of exercise in the form attached hereto as Exhibit A, specifying the number of the Shares to be purchased and the purchase price therefor, together with payment of the purchase price of

the Shares to be purchased. The purchase price is to be paid in cash or by delivering shares of Common Stock already owned by you for at least six months and having a Fair Market Value (as defined in the Plan) on the date of exercise equal to the purchase price of the Option being exercised, or a combination of such shares and cash.

In addition, payment of the purchase price of the Shares to be purchased may also be made by delivering a properly executed notice to the Company, together with a copy of the irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the purchase price, and, if required, the amount of any federal, state or local withholding taxes.

No Shares shall be issued until full payment therefor has been made. You shall have all of the rights of a stockholder of the Company holding the Common Stock that is subject to the Option (including, if applicable, the right to vote the Shares and the right to receive dividends thereon), when you have given written notice of exercise, have paid in full for such Shares and, if requested, have given the certificate described in Section 9 hereof.

3. In the event your employment with the Company is terminated for any reason, the Option shall forthwith terminate, provided that you may exercise any then unexercised portion of the Option then vested and exercisable pursuant to Section 1 hereof at any time prior to the earlier of nine months after the termination of your employment (one year in the event of death or Disability), or the expiration of the Option.

4. The Option is not transferable except (i) by will or the applicable laws of descent and distribution or (ii) for transfers to your family members or trusts or other entities whose beneficiaries are your family members, provided that such transfer is being made for estate, tax and/or personal planning purposes and will not have adverse tax consequences to the Company. In such event, the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer.

5. In the event of your death or Disability, the Option may be exercised by your personal representative or representatives, or by the person or persons to whom your rights under the Option shall pass by will or by the applicable laws of descent and distribution, within the one year period following termination due to death or Disability.

6. In the event of any change in the shares of Common Stock of the Company as a whole occurring as the result of a stock split, reverse stock split, stock dividend payable on shares of Common Stock, combination or exchange of shares, or other extraordinary or unusual event occurring after the date hereof, the Committee (as defined in the Plan) shall determine, in its sole discretion, whether such change equitably requires an adjustment in the terms of the

Option. Any such adjustments will be made by the Committee, whose determination will be final, binding and conclusive.

7. The grant of the Option does not confer on you any right to continue in the employ of the Company or any of its subsidiaries or affiliates or interfere in any way with the right of the Company or its subsidiaries or affiliates to terminate the term of your employment.

8. The Company shall require as a condition to the exercise of any portion of the Option that you pay to the Company, or make other arrangements regarding the payment of, any federal state or local taxes required by law to be withheld as a result of such exercise.

9. Unless at the time of the exercise of any portion of the Option a registration statement under the Securities Act of 1933, as amended (the "Act"),

is in effect as to the Shares, the Shares shall be acquired for investment and not for sale or distribution, and if the Company so requests, upon any exercise of the Option, in whole or in part, you agree to execute and deliver to the Company a reasonable certificate to such effect.

10. You understand and acknowledge that: (i) any Shares purchased by you upon exercise of the Option may be required to be held indefinitely unless such Shares are subsequently registered under the Act or an exemption from such registration is available; (ii) any sales of such Shares made in reliance upon Rule 144 promulgated under the Act may be made only in accordance with the terms and conditions of that Rule (which, under certain circumstances, restrict the number of shares which may be sold and the manner in which shares may be sold); (iii) certificates for Shares to be issued to you hereunder shall bear a legend to the effect that the Shares have not been registered under the Act and that the Shares may not be sold, hypothecated or otherwise transferred in the absence of an effective registration statement under the Act relating thereto or an opinion of counsel satisfactory to the Company that such registration is not required; (iv) the Company shall place an appropriate "stop transfer" order with its transfer agent with respect to such Shares; and (v) you shall abide by all of the Company's policies in effect at the time you acquire any Shares and thereafter, including the Company's Insider Trading Policy, with respect to the ownership and trading of the Company's securities.

11. Article XI and Sections 14.3(a) and (b) of the Plan shall not be applicable to the Option.

12. The Company shall use its best efforts to keep in effect a Registration Statement on Form S-8 registering under the Act the Shares issuable to you upon exercise of the Option.

13. The Company represents and warrants to you as follows: (i) this agreement and the grant of the Option hereunder have been authorized by all necessary corporate action by the

Company and this letter agreement is a valid and binding agreement of the Company enforceable against the Company in accordance with its terms; (ii) the grant of the Option to you on the terms set forth herein will be exempt from the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, pursuant to Rule 16b-3(d) thereunder; (iii) the Company will obtain, at its expense, any regulatory approvals necessary or advisable in connection with the grant of the Option or the issuance of the Shares; and (iv) the Company currently has reserved and available, and will continue to have reserved and available during the term of the Option, sufficient authorized and issued shares of its Common Stock for issuance upon exercise of the Option.

14. This letter agreement contains all the understandings between the Company and you pertaining to the matters referred to herein, and supercedes all undertakings and agreements, whether oral or in writing, previously entered into by the Company and you with respect hereto. No provision of this letter agreement may be amended or waived unless such amendment or waiver is agreed to in writing signed by you and a duly authorized officer of the Company. No waiver by the Company or you of any breach by the other party hereto of any condition or provision of this letter agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time. If any provision of this letter agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and

unenforceable to any extent, the remainder of this letter agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law. This letter agreement will be governed by and construed in accordance with the laws of the State of New York, without regard to its conflicts of laws principles. This letter agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

Would you kindly evidence your acceptance of the Option and your agreement to comply with the provisions hereof by executing this letter agreement in the space provided below.

Very truly yours,

LADENBURG THALMANN FINANCIAL SERVICES INC.

By: /s/ Salvatore Giardina

Salvatore Giardina
Vice President and Chief Financial Officer

AGREED TO AND ACCEPTED:

/s/ Charles I. Johnston
- ---
Charles I. Johnston

EXHIBIT A

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue, 34th Floor
New York, NY 10022

Gentlemen:

Notice is hereby given of my election to purchase _____ shares of Common Stock, $.0001 par value (the "Shares"), of Ladenburg Thalmann Financial Services Inc., at a price of $_____ per Share, pursuant to the provisions of the stock option granted to me as of March 9, 2004. Enclosed in payment for the Shares is:

[ ] my check in the amount of $_____.

[ ] _____ Shares having a total value of $_____, such value being based on the

closing price(s) of the Shares on the date hereof.

The following information is supplied for use in issuing and registering the Shares purchased hereby:

Number of Certificates and Denominations ----------

Name ----------

Address ----------

Social Security No. ----------

Dated:

Very truly yours,

Charles I. Johnston

Exhibit 10.53

LADENBURG THALMANN FINANCIAL SERVICES INC.
590 MADISON AVENUE, 34TH FLOOR
NEW YORK, NY 10022

As of March 9, 2004

Mr. Charles I. Johnston

Dear Mr. Johnston:

We are pleased to inform you that Ladenburg Thalmann Financial Services Inc. (the "Company") has granted you a nonqualified option (the "Option") to purchase 1,500,000 shares of the Company's common stock, par value $.0001 per share (the "Common Stock"), at a purchase price of $0.75 per share (any of the underlying shares of Common Stock to be issued upon exercise of the Option are referred to hereinafter as the "Shares."

1. Subject to the terms hereof, the Option may be exercised on or prior to March 8, 2014 (after which date the Option will, to the extent not previously exercised, expire). The Option shall vest and become exercisable as to 300,000 of the Shares on and after each of March 9, 2005, 2006, 2007, 2008 and 2009, provided you are then employed by the Company and/or one of its present or future subsidiaries; provided, however, that the entire Option shall vest earlier and become immediately exercisable upon (i) the occurrence of a "Change in Control" as defined in Section 3(D) of the Employment Agreement dated as of March 9, 2004, by and between you and the Company, regardless of whether the Employment Agreement is then in effect (the "Employment Agreement"), or (ii) the termination of your employment with the Company due to death or Disability (as defined in Section 7(B) of the Employment Agreement).

2. The Option, from and after the date it vests and becomes exercisable pursuant to Section 1 hereof, may be exercised in whole or in part by delivering to the Company a written notice of exercise in the form attached hereto as Exhibit A, specifying the number of the Shares to be purchased and the purchase price therefor, together with payment of the purchase price of the Shares to be purchased. The purchase price is to be paid in cash or by delivering shares of Common Stock already owned by you for at least six months and having a "Fair Market Value" on the date of exercise equal to the purchase price of the Option being exercised, or a combination of such shares and cash. "Fair Market Value," unless otherwise required by any applicable provision of the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto and the regulations promulgated thereunder, means, as of any given date:

(i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq Small Cap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last trading day preceding the date of grant of an award hereunder, as reported by the exchange or Nasdaq, as the case may be: (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market

or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price for the Common Stock on the last trading day preceding the date of grant of an award hereunder for which such quotations are reported by the OTC Bulletin Board or the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Compensation Committee of the Company shall determine, in good faith.

In addition, payment of the purchase price of the Shares to be purchased may also be made by delivering a properly executed notice to the Company, together with a copy of the irrevocable instructions to a broker to deliver promptly to the Company the amount of sale or loan proceeds necessary to pay the purchase price, and, if required, the amount of any federal, state or local withholding taxes.

No Shares shall be issued until full payment therefor has been made. You shall have all of the rights of a stockholder of the Company holding the Common Stock that is subject to the Option (including, if applicable, the right to vote the Shares and the right to receive dividends thereon), when you have given written notice of exercise, have paid in full for such Shares and, if requested, have given the certificate described in Section 9 hereof.

3. In the event your employment with the Company is terminated for any reason, the Option shall forthwith terminate, provided that you may exercise any then unexercised portion of the Option then vested and exercisable pursuant to Section 1 hereof at any time prior to the earlier of nine months after the termination of your employment (one year in the event of death or Disability), or the expiration of the Option.

4. The Option is not transferable except (i) by will or the applicable laws of descent and distribution or (ii) for transfers to your family members or trusts or other entities whose beneficiaries are your family members, provided that such transfer is being made for estate, tax and/or personal planning purposes and will not have adverse tax consequences to the Company. In such event, the transferee shall remain subject to all the terms and conditions applicable to the Option prior to such transfer.

5. In the event of your death or Disability, the Option may be exercised by your personal representative or representatives, or by the person or persons to whom your rights under the Option shall pass by will or by the applicable laws of descent and distribution, within the one year period following termination due to death or Disability.

6. In the event of any change in the shares of Common Stock of the Company as a whole occurring as the result of a stock split, reverse stock split, stock dividend payable on shares of Common Stock, combination or exchange of shares, or other extraordinary or unusual event occurring after the date hereof, the Board of Directors of the Company shall determine, in its sole discretion, whether such change equitably requires an adjustment in the terms of the Option. Any such adjustments will be made by the Board, whose determination will be final, binding and conclusive.

7. The grant of the Option does not confer on you any right to continue in the employ of the Company or any of its subsidiaries or affiliates or interfere in any way with the right of the Company or its subsidiaries or affiliates to terminate the term of your employment.

8. The Company shall require as a condition to the exercise of any

portion of the Option that you pay to the Company, or make other arrangements regarding the payment of, any federal state or local taxes required by law to be withheld as a result of such exercise.

9. Unless at the time of the exercise of any portion of the Option a registration statement under the Securities Act of 1933, as amended (the "Act"), is in effect as to the Shares, the Shares shall be acquired for investment and not for sale or distribution, and if the Company so requests, upon any exercise of the Option, in whole or in part, you agree to execute and deliver to the Company a reasonable certificate to such effect.

10. You understand and acknowledge that: (i) any Shares purchased by you upon exercise of the Option may be required to be held indefinitely unless such Shares are subsequently registered under the Act or an exemption from such registration is available; (ii) any sales of such Shares made in reliance upon Rule 144 promulgated under the Act may be made only in accordance with the terms and conditions of that Rule (which, under certain circumstances, restrict the number of shares which may be sold and the manner in which shares may be sold); (iii) certificates for Shares to be issued to you hereunder shall bear a legend to the effect that the Shares have not been registered under the Act and that the Shares may not be sold, hypothecated or otherwise transferred in the absence of an effective registration statement under the Act relating thereto or an opinion of counsel satisfactory to the Company that such registration is not required; (iv) the Company shall place an appropriate "stop transfer" order with its transfer agent with respect to such Shares; and (v) you shall abide by all of the Company's policies in effect at the time you acquire any Shares and thereafter, including the Company's Insider Trading Policy, with respect to the ownership and trading of the Company's securities.

11. The Company represents and warrants to you as follows: (i) this agreement and the grant of the Option hereunder have been authorized by all necessary corporate action by the Company and this letter agreement is a valid and binding agreement of the Company enforceable

against the Company in accordance with its terms; (ii) the grant of the Option to you on the terms set forth herein will be exempt from the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, pursuant to Rule 16b-3(d) thereunder; (iii) the Company will obtain, at its expense, any regulatory approvals necessary or advisable in connection with the grant of the Option or the issuance of the Shares; and (iv) the Company currently has reserved and available, and will continue to have reserved and available during the term of the Option, sufficient authorized and issued shares of its Common Stock for issuance upon exercise of the Option.

12. Promptly following the date hereof, the Company shall use its best efforts to file and keep in effect a Registration Statement on Form S-8 or other applicable form to register under the Act the Shares issuable to you upon exercise of the Option.

13. This letter agreement contains all the understandings between the Company and you pertaining to the matters referred to herein, and supercedes all undertakings and agreements, whether oral or in writing, previously entered into by the Company and you with respect hereto. No provision of this letter agreement may be amended or waived unless such amendment or waiver is agreed to

in writing signed by you and a duly authorized officer of the Company. No waiver by the Company or you of any breach by the other party hereto of any condition or provision of this letter agreement to be performed by such other party shall be deemed a waiver of a similar or dissimilar condition or provision at the same time, any prior time or any subsequent time. If any provision of this letter agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this letter agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law. This letter agreement will be governed by and construed in accordance with the laws of the State of New York, without regard to its conflicts of laws principles. This letter agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

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Would you kindly evidence your acceptance of the Option and your agreement to comply with the provisions hereof by executing this letter agreement in the space provided below.

Very truly yours,

LADENBURG THALMANN FINANCIAL SERVICES INC.

By: /s/ Salvatore Giardina

Salvatore Giardina
Vice President and Chief Financial Officer

AGREED TO AND ACCEPTED:

/s/ Charles I. Johnston
- ----------
Charles I. Johnston

EXHIBIT A

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue, 34th Floor
New York, NY 10022

Gentlemen:

Notice is hereby given of my election to purchase _____ shares of Common Stock, $.0001 par value (the "Shares"), of Ladenburg Thalmann Financial Services Inc., at a price of $_____ per Share, pursuant to the provisions of the stock option granted to me as of March 9, 2004. Enclosed in payment for the Shares is:

[ ] my check in the amount of $_____.

[ ] _____ Shares having a total value of $_____, such value being based on the closing price(s) of the Shares on the date hereof.

The following information is supplied for use in issuing and registering the Shares purchased hereby:

Number of Certificates and Denominations ----------

Name ----------

Address ----------

Social Security No. ----------

Dated:

Very truly yours,

Charles I. Johnston

Exhibit 10.54

INDEMNIFICATION AGREEMENT

This Agreement, made and entered into effective as of the 9th day of March, 2004 ("Agreement"), by and between Ladenburg Thalmann Financial Services Inc., a Florida corporation ("Corporation"), and Charles I. Johnston ("Indemnitee"):

WHEREAS, highly competent persons recently have become more reluctant to serve publicly-held corporations as directors, officers, or in other capacities, unless they are provided with better protection from the risk of claims and actions against them arising out of their service to and activities on behalf of such corporation; and

WHEREAS, the current impracticability of obtaining adequate insurance and the uncertainties related to indemnification have increased the difficulty of attracting and retaining such persons; and

WHEREAS, the Board of Directors of the Corporation ("Board") has determined that the inability to attract and retain such persons is detrimental to the best interests of the Corporation's stockholders and that such persons should be assured that they will have better protection in the future; and

WHEREAS, it is reasonable, prudent and necessary for the Corporation to obligate itself contractually to indemnify such persons to the fullest extent permitted by applicable law so that such persons will serve or continue to serve the Corporation free from undue concern that they will not be adequately indemnified; and

WHEREAS, this Agreement is a supplement to and in furtherance of Article VII of the By-laws of the Corporation, and Article XI of the Articles of Incorporation of the Corporation, as amended, and any resolutions adopted pursuant thereto and shall neither be deemed to be a substitute therefor nor to diminish or abrogate any rights of Indemnitee thereunder; and

WHEREAS, Indemnitee is willing to serve and to take on additional service for or on behalf of the Corporation on the condition that he or she be indemnified according to the terms of this Agreement;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Corporation and Indemnitee do hereby covenant and agree as follows:

1. DEFINITIONS. For purposes of this Agreement:

1.1 "Change in Control" means a change in control of the Corporation occurring after the date hereof of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended ("Act"), whether or not the Corporation is then subject to such reporting requirement provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if after the date hereof (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Act) is or becomes "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Corporation representing 20% or more of the combined voting power of the

then outstanding securities of the Corporation without the prior approval of at least two-thirds of the members of the Board in office immediately prior to such person attaining such percentage interest; (ii) the Corporation is a party to a merger, consolidation, sale of assets or other reorganization, or a proxy contest, as a consequence of which members of the Board in office immediately prior to such transaction or event constitute less than a majority of the Board thereafter; or (iii) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board (including for this purpose any new director whose election or nomination for election by the Corporation's stockholders was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such period) cease for any reason to constitute at least a majority of the Board.

1.2 "Corporate Status" means the status of a person who is or was a director, officer, employee, agent or fiduciary of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person is or was serving at the request of the Corporation.

1.3 "Disinterested Director" means a director of the Corporation who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

1.4 "Expenses" means all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.

1.5 "Independent Counsel" means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Corporation or Indemnitee in any other matter material to either such party, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Corporation or Indemnitee in an action to determine Indemnitee's rights under this Agreement. Independent Counsel shall be selected by (a) the Disinterested Directors or (b) a committee of the Board consisting of two or more Disinterested Directors or if (a) and (b) above are not possible, then by a majority of the full Board.

1.6 "Proceeding" means any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing or any other proceeding, whether civil, criminal, administrative or investigative, except one initiated by an Indemnitee pursuant to Section 11 of this Agreement to enforce his rights under this Agreement.

2. SERVICES BY INDEMNITEE.

Indemnitee agrees to serve as a President and Chief Executive Officer and a director of the Corporation. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law).

3. INDEMNIFICATION - GENERAL.

The Corporation shall indemnify, and advance Expenses to, Indemnitee as provided in this Agreement to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may thereafter from time to time permit. The rights of Indemnitee provided under the preceding sentence shall include, but shall not be limited to, the rights set forth in the other Sections of this Agreement.

4. PROCEEDINGS OTHER THAN PROCEEDINGS BY OR IN THE RIGHT OF THE CORPORATION.

Indemnitee shall be entitled to the rights of indemnification provided in this Section if, by reason of his Corporate Status, he or she is, or is threatened to be made, a party to any threatened, pending or completed Proceeding, other than a Proceeding by or in the right of the Corporation. Pursuant to this Section, Indemnitee shall be indemnified against Expenses, judgments, penalties, fines and amounts paid in settlement actually and reasonably incurred by him or on his behalf in connection with any such Proceeding or any claim, issue or matter therein, if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

5. PROCEEDINGS BY OR IN THE RIGHT OF THE CORPORATION.

Indemnitee shall be entitled to the rights of indemnification provided in this Section if, by reason of his Corporate Status, he or she is, or is threatened to be made, a party to any threatened, pending or completed Proceeding brought by or in the right of the Corporation to procure a judgment in its favor. Pursuant to this Section, Indemnitee shall be indemnified against Expenses actually and reasonably incurred by him or on his behalf in connection with any such Proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Corporation. Notwithstanding the foregoing, no indemnification against such Expenses shall be made in respect of any claim, issue or matter in any such proceeding as to which Indemnitee shall have been adjudged to be liable to the Corporation if applicable law prohibits such indemnification unless the court in which such Proceeding shall have been brought or is pending, shall determine that indemnification against Expenses may nevertheless be made by the Corporation.

6. INDEMNIFICATION FOR EXPENSES OF PARTY WHO IS WHOLLY OR PARTLY SUCCESSFUL.

Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding, he or she shall be indemnified against all Expenses actually and reasonably incurred by him

or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Corporation shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with each successfully resolved claim, issue or matter. For the purposes of this Section and without limiting the foregoing, the termination of any claim, issue or matter in any such Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

7. INDEMNIFICATION FOR EXPENSES AS A WITNESS.

Notwithstanding any other provision of this Agreement, to the extent

that Indemnitee is, by reason of his Corporate Status, a witness in any Proceeding, he or she shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

8. ADVANCEMENT OF EXPENSES.

The Corporation shall advance all Expenses incurred by or on behalf of Indemnitee in connection with any Proceeding within twenty days after the receipt by the Corporation of a statement or statements from Indemnitee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by an undertaking by or on behalf of Indemnitee to repay any Expenses advanced if it shall ultimately be determined that Indemnitee is not entitled to be indemnified against such Expenses.

9. PROCEDURE FOR DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION.

9.1 To obtain indemnification under this Agreement in connection with any Proceeding, and for the duration thereof, Indemnitee shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. The Secretary of the Corporation shall, promptly upon receipt of any such request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

9.2 Upon written request by Indemnitee for indemnification pursuant to Section 9.1 hereof, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in such case: (i) if a Change in Control shall have occurred, by Independent Counsel (unless Indemnitee shall request that such determination be made by the Board or the stockholders, in which case in the manner provided for in clauses (ii) or (iii) of this Section 9.2) in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; (ii) if a Change of Control shall not have occurred, (A) by the Board by a majority vote of a quorum consisting of Disinterested Directors, or (B) if a quorum of the Board consisting of Disinterested Directors is not obtainable, by a majority of a committee of the Board consisting of two or more Disinterested Directors, or (C) by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee, or (D) by the stockholders of the Corporation, by a majority vote of a

quorum consisting of stockholders who are not parties to the proceeding, or if no such quorum is obtainable, by a majority vote of stockholders who are not parties to such proceeding; or (iii) as provided in Section 10.2 of this Agreement. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Corporation (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Corporation hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

9.3 If a Change of Control shall have occurred, Independent Counsel

shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board), and Indemnitee shall give written notice to the Corporation advising it of the identity of Independent Counsel so selected. In either event, Indemnitee or the Corporation, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Corporation or to Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the ground that Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 1 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. If such written objection is made, Independent Counsel so selected may not serve as Independent Counsel unless and until a court has determined that such objection is without merit. If, within 20 days after submission by Indemnitee of a written request for indemnification pursuant to Section 9.1 hereof, no Independent Counsel shall have been selected and not objected to, either the Corporation or Indemnitee may petition a court of competent jurisdiction, for resolution of any objection which shall have been made by the Corporation or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom an objection is so resolved or the person so appointed shall act as Independent Counsel under Section 9.2 hereof. The Corporation shall pay any and all reasonable fees and expenses of Independent Counsel incurred by such Independent Counsel in connection with its actions pursuant to this Agreement, and the Corporation shall pay all reasonable fees and expenses incident to the procedures of this Section 9.3, regardless of the manner in which such Independent Counsel was selected or appointed. Upon the due commencement date of any judicial proceeding pursuant to Section 11.1(iii) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

10. PRESUMPTIONS AND EFFECTS OF CERTAIN PROCEEDINGS.

10.1 If a Change of Control shall have occurred, in making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has

submitted a request for indemnification in accordance with Section 9.1 of this Agreement, and the Corporation shall have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption.

10.2 If the person, persons or entity empowered or selected under Section 9 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Corporation of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) prohibition of such indemnification under applicable law provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith require(s) such additional time for the obtaining or evaluating of documentation and/or information relating thereto and PROVIDED, FURTHER, that the foregoing provisions of this Section 10.2 shall not apply (i) if the determination of entitlement to indemnification is to be made by the

stockholders pursuant to Section 9.2 of this Agreement and if (A) within 15 days after receipt by the Corporation of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within 75 days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within 15 days after such receipt for the purpose of making such determination, such meeting is held for such purpose within 60 days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 9.2 of this Agreement.

10.3 The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of NOLO CONTENDERE or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Corporation or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his or her conduct was unlawful.

11. REMEDIES OF INDEMNITEE.

11.1 In the event that (i) a determination is made pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 8 of this Agreement, (iii) the determination of indemnification is to be made by Independent Counsel pursuant to Section 9.2 of this Agreement and such determination shall not have been made and delivered in a written opinion within 90 days after receipt by the Corporation of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 of this Agreement within ten days after receipt by the Corporation of a written request therefor, or (v) payment of indemnification is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification or such determination is

deemed to have been made pursuant to Section 9 or 10 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of Florida, or in any other court of competent jurisdiction, of his or her entitlement to such indemnification or advancement of Expenses. The Corporation shall not oppose Indemnitee's right to seek any such adjudication.

11.2 In the event that a determination shall have been made pursuant to Section 9 of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section shall be conducted in all respects as a DE NOVO trial on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination.

11.3 If a determination shall have been made or deemed to have been made pursuant to Section 9 or 10 of this Agreement that Indemnitee is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to this Section, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) prohibition of such indemnification under applicable law.

11.4 The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall

stipulate in any such court that the Corporation is bound by all the provisions of this Agreement.

11.5 In the event that Indemnitee, pursuant to this Section, seeks a judicial adjudication of his or her rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Corporation, and shall be indemnified by the Corporation against, any and all expenses (of the kinds described in the definition of Expenses) actually and reasonably incurred by him in such judicial adjudication, but only if he or she prevails therein. If it shall be determined in such judicial adjudication that Indemnitee is entitled to receive all of the indemnification or advancement of expenses sought, the expenses incurred by Indemnitee in connection with such judicial adjudication shall be appropriately prorated.

12. NON-EXCLUSIVITY; SURVIVAL OF RIGHTS; INSURANCE; SUBROGATION.

12.1 The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the certificate of incorporation or by-laws of the Corporation, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or any provision hereof shall be effective as to any Indemnitee with respect to any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal.

12.2 To the extent that the Corporation maintains an insurance policy or policies providing liability insurance for directors, officers, employees, agents or fiduciaries of the Corporation or of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such person serves at the request of the Corporation, Indemnitee shall be covered by such

policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such director, officer, employee, agent or fiduciary under such policy or policies.

12.3 In the event of any payment under this Agreement, the Corporation shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Corporation to bring suit to enforce such rights.

12.4 The Corporation shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

13. DURATION OF AGREEMENT.

This Agreement shall continue until and terminate upon the later of: (a) ten years after the date that Indemnitee shall have ceased to serve as a director of the Corporation, or (b) the final termination of all pending Proceedings in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and or any proceeding commenced by Indemnitee pursuant to Section 11 of this Agreement. This Agreement shall be binding upon the Corporation and its successors and assigns and shall inure to the benefit of Indemnitee and his heirs, executors and administrators.

14. SEVERABILITY.

If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (b) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

15. EXCEPTION TO RIGHT OF INDEMNIFICATION OR ADVANCEMENT OF EXPENSES.

Except as provided in Section 11.5, Indemnitee shall not be entitled to indemnification or advancement of Expenses under this Agreement with respect to any Proceeding, or any claim therein, brought or made by him against the Corporation.

16. IDENTICAL COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement.

17. HEADINGS.

The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

18. MODIFICATION AND WAIVER.

No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

19. NOTICE BY INDEMNITEE.

Indemnitee agrees promptly to notify the Corporation in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder.

20. NOTICES.

All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom such notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

If to Indemnitee, to:

Charles I. Johnston

40 West 11th Street
New York, NY 10011

If to the Corporation, to:

Ladenburg Thalmann Financial Services Inc.
590 Madison Avenue, 34th Floor
New York, New York 10022
Attention: Corporate Secretary

or to such other address or such other person as Indemnitee or the Corporation shall designate in writing in accordance with this Section, except that notices regarding changes in notices shall be effective only upon receipt.

21. GOVERNING LAW.

The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Florida.

22. MISCELLANEOUS.

Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

LADENBURG THALMANN FINANCIAL SERVICES INC.

By: /s/ Salvatore Giardina

Name: Salvatore Giardina
Title: Vice President and Chief Financial Officer

INDEMNITEE

/s/ Charles I. Johnston

Charles I. Johnston

EXHIBIT 10.55

DEBT CONVERSION AGREEMENT

THIS DEBT CONVERSION AGREEMENT ("AGREEMENT"), dated as March 29, 2004, among Ladenburg Thalmann Financial Services Inc., a Florida corporation (the "Company"), New Valley Corporation, a Delaware corporation ("New Valley"), and Frost-Nevada Investments Trust ("Frost-Nevada" and together with New Valley, the "Holders").

WHEREAS, on May 7, 2001, the Company issued Senior Convertible Promissory Notes due December 31, 2005, as amended from time to time, to the Holders in an aggregate principal amount of $18,010,000 (the "Notes");

WHEREAS, the Holders have previously agreed to forbear the interest payments due on the Notes until January 15, 2005;

WHEREAS, as a result of the Notes and the Company's other outstanding indebtedness, the Company is highly leveraged and has a negative net worth of approximately $16.2 million at December 31, 2003;

WHEREAS, the foregoing has continued to negatively impact the Company's operations, including its ability to attract and retain brokers;

WHEREAS, the Company has requested that the Holders convert their Notes into common stock, par value $.0001 per share ("Common Stock"), of the Company as set forth herein;

NOW THEREFORE, in consideration of the premises and the mutual covenants and agreements of the parties hereinafter set forth, the parties hereto hereby agree as follows:

1. DEBT CONVERSION.

(a) Each of New Valley and Frost-Nevada hereby severally agrees, subject to the conditions set forth herein, to convert the principal and accrued interest on its Notes into shares of the Company's Common Stock ("Conversion Shares") at a conversion price of $1.10 and $0.70 per share, respectively ("Debt Conversion"), subject to appropriate adjustment for reclassifications, stock splits, stock dividends, spin-offs or distributions, share combinations or other similar changes affecting the Common Stock as a whole. The entire amount of the Conversion Shares shall be allocated in a manner as mutually agreed to by the parties and the Debt Conversion shall be classified as mutually agreed to by the parties.

(b) The Company shall cause a meeting of its shareholders ("Shareholder Meeting") to be duly called and held as soon as reasonably practicable after the date of execution of this Agreement for the purposes of voting on the Debt Conversion and such other matters as may be mutually agreed upon by the parties. In connection with such Shareholder Meeting, the Company will prepare and mail to its shareholders as promptly as practicable a proxy statement and all other proxy materials (the "Proxy Statement") for such meeting. The Company and the Holders severally shall cooperate with each other in all reasonable respects with the preparation of the Proxy Statement and any amendment or supplement thereto. The Company shall notify the Holders of the receipt of any comments of the Securities and Exchange Commission ("Commission") with respect to the Proxy Statement and any requests by the Commission for any amendment or supplement thereto or for additional information, and shall provide to them promptly copies of any correspondence between the Company or its counsel and the Commission with respect to the Proxy Statement. The Company shall give

the Holders and their counsel the opportunity to review the Proxy Statement and all responses to requests for additional information by and replies to comments of the Commission before their being filed with, or sent to, the Commission. The Company will use its best efforts, after consultation with the Holders, to respond promptly to all such comments of and requests by the Commission and to cause the Proxy Statement to be mailed to the Company's shareholders entitled to vote at the Shareholder Meeting at the earliest practicable time.

(c) The Company will use its best efforts to obtain the necessary approvals by its shareholders for the Debt Conversion and any related matters ("Shareholder Approval") at the Shareholder Meeting and shall cause its Board of Directors to include in the Proxy Statement its recommendation that the Company's shareholders vote in favor of the matters presented in the Proxy Statement. In the event that the Shareholder Approval is not obtained on the date on which the Shareholder Meeting is initially convened, the Board of Directors of the Company shall adjourn the meeting from time to time as necessary for the purpose of obtaining the Shareholder Approval and shall use its best efforts during any such adjournments to obtain the Shareholder Approval.

(d) By executing this Agreement, each of the Holders and Bennett S. LeBow, Howard M. Lorber, Richard J. Lampen, Henry C. Beinstein, Robert J. Eide and Victor M. Rivas ("Proxy Parties") hereby severally appoint Richard J. Rosenstock, Mark Zeitchick or Vincent A. Mangone, or any of them, with full power of substitution and to act without the others, as their agents, attorneys and proxies, representing an irrevocable proxy pursuant to Section 607.0722 of the Florida Business Corporation Act, coupled with an interest, so as to vote the shares of Common Stock held by the Proxy Parties in accordance with the vote of a majority of votes cast at the Shareholder Meeting excluding the shares held by such Proxy Parties.

(e) The Company shall comply with all legal requirements applicable to the Shareholder Meeting and take such other actions as may be necessary to effectuate the Debt Conversion, including, but not limited to, providing notices to, and responding to queries from, all applicable regulatory authorities and stock exchanges and obtaining all necessary third party consents.

(f) Subject to the terms and conditions of this Agreement, the consummation of the transactions contemplated by this Agreement shall take place at a closing ("Closing") to be held at 10:00 a.m., local time, on the fourth business day after the date on which the last of the conditions set forth in Section 4 (c) and (d) below is fulfilled, at the offices of Graubard Miller, 600 Third Avenue, New York, New York 10016, or at such other time, date or place as the parties may agree upon in writing. The Company shall send to each Holder at least two business days prior to the Closing a notice indicating the amount of interest accrued through the date of the Closing and the number of shares of Common Stock each Holder will be issued upon the Debt Conversion. At the Closing, each Holder shall deliver its Notes for cancellation and the Company shall deliver to each Holder certificates representing the Conversion Shares to which such Holder is entitled as a result of such Debt Conversion. From and after the Closing, the Notes shall represent solely the right to receive Conversion Shares. If a Holder has lost its Note and is unable to deliver its Notes at the Closing, it shall submit an affidavit of loss and indemnity agreement so that the Notes may be replaced and deemed cancelled in accordance with the terms hereof. In the event that as a result of the Debt Conversion, fractions of shares would be required to be issued, such fractional shares shall be rounded up or down to the nearest whole share. The Company shall pay any documentary, stamp or similar issue or transfer tax due on such Debt Conversion, except that the Holder shall pay any such tax due because the Conversion Shares are issued in a name other than the Holder's.

2. REPRESENTATIONS AND WARRANTIES OF COMPANY. The Company hereby represents and warrants to the Holders as follows:

(a) As of the date hereof, the Company has 200,000,000 shares of Common Stock authorized, of which 43,627,130 shares of Common Stock are issued and outstanding, and 2,000,000 shares of preferred stock authorized, of which no shares are issued and outstanding. As of the date hereof, the Company has reserved for issuance 8,153,030 shares of Common Stock upon exercise of all outstanding options and warrants. All of the issued and outstanding shares of the Company's Common Stock are, and all shares reserved for issuance will be, upon issuance in accordance with the terms specified in the instruments or agreements pursuant to which they are issuable, duly authorized, validly issued, fully paid and nonassessable. The Conversion Shares to be issued and delivered to the Holders upon conversion of the Notes have been duly authorized and when issued upon such conversion, will be validly issued, fully-paid and non-assessable. The issuance of the Conversion Shares will be exempt from registration pursuant to Section 3(a)(9) promulgated under the Securities Act of 1933, as amended ("Securities Act") and such Conversion Shares will not be "restricted securities" as defined under Rule 144 promulgated under the Securities Act.

(b) The Company has full legal power to execute and deliver this Agreement and to perform its obligations hereunder. All acts required to be taken by the Company to enter into this Agreement and to carry out the transactions contemplated hereby have been properly taken, and this Agreement constitutes a legal, valid and binding obligation of the Company, enforceable in

accordance with its terms and does not conflict with, result in a breach or violation of or constitute (or with notice of lapse of time or both constitute) a default under any instrument, contract or other agreement to which the Company or its subsidiaries is a party.

(c) The affirmative vote of the holders of record of at least a majority of the shares of the Company's Common Stock present at the Shareholder Meeting with respect to the matters referred to in Section 1 hereof is the only vote of the holders of any class or series of the capital stock of the Company required to approve the transactions contemplated hereby.

(d) None of the Company's Articles of Incorporation, as amended, or Bylaws, or the laws of Florida, California or New York, contains any applicable anti-takeover provision or statute which would restrict the Company's ability to enter into this Agreement or consummate the transactions contemplated by this Agreement or which would limit any of the Holders' rights following consummation of the transactions contemplated by this Agreement.

(e) No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company other than the fees of any investment banking firm that has been engaged by the Company to render the Fairness Opinion (defined below), the fees of which will be paid by the Company.

(f) The Company has delivered or made available to the Holders prior to the execution of this Agreement true and complete copies of all periodic reports, registration statements and proxy statements filed by it with the Commission since January 1, 2002. Each of such filings with the Commission (collectively, the "SEC Filings"), as of its filing date, complied in all material respects with the requirements of the rules and regulations promulgated

by the Commission with respect thereto and did not contain any untrue statement of a material fact or omit a material fact necessary in order to make the statements contained therein not misleading in light of the circumstances in which such statements were made.

(g) Since the date of the draft financials of the Company for the year ended December 31, 2003 to be filed with the Commission in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 (a copy of which has been made available to the Holders), the Company and its subsidiaries, taken as a whole, has not suffered any material adverse change in its assets, liabilities, financial condition, results of operations or business, except for those occurring as a result of general economic or financial conditions affecting the United States as a whole or the region in which the Company conducts its business or developments that are not unique to the Company but also affect other entities engaged or participating in the brokerage industry generally in a manner not materially less severely.

(h) The Company has received the opinion of Capitalink, L.C. (a copy of which will be furnished to each Holder) to the effect that the average price at which the Notes will be converted is fair from a financial point of view to the unaffiliated shareholders of the Company.

(i) No information to be contained in the Proxy Statement to be prepared pursuant to this Agreement and no representation or warranty by the Company contained in this Agreement contains any untrue statement of a material fact or omits a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which such statements were made.

(j) Since January 1, 2002 and except as disclosed in the SEC Filings, the Company has conducted its business in compliance in all material respects with all applicable laws, rules, regulations, court or administrative orders and processes and rules, directives and orders of regulatory and self-regulatory agencies and bodies, except as would not reasonably be expected, singly or in the aggregate, to be materially adverse to the business, assets or financial condition of the Company.

3. REPRESENTATIONS AND WARRANTIES OF THE HOLDERS. New Valley and Frost-Nevada severally and not jointly represent and warrant to the Company as follows:

(a) Each Holder has full legal power to execute and deliver this Agreement and to perform its obligations hereunder. All acts required to be taken by such Holder to enter into this Agreement and to carry out the transactions contemplated hereby have been properly taken; and this Agreement constitutes a legal, valid and binding obligation of such Holder enforceable in accordance with its terms.

(b) Each Holder has reviewed the filings of the Company referred to in Section 2(f) above.

(c) Each Holder has been given an opportunity to ask questions and receive answers from the officers and directors of the Company and to obtain additional information from the Company.

(d) Each Holder has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Company's securities and has obtained, in its judgment, sufficient information about the Company to evaluate the merits and risks of an investment in the Company.

(e) Each Holder is relying solely on the representations and warranties contained in Section 2 hereof and in certificates delivered hereunder in making their decision to enter into this Agreement and consummate the transactions contemplated hereby and no oral representations or warranties of any kind have been made by the Company or its officers, directors, employees or agents to such Holders.

(f) Each Holder hereby consents to the Company's repurchase of the $1,990,000 aggregate principal amount of Notes, together with all accrued but unpaid interest thereon, held by Berliner Effektengesellschaft AG for $1,000,000 in cash simultaneously with the execution of this Agreement and agrees that it will not exercise any rights or remedies it may have against the Company in connection with such repurchase.

4. CONDITIONS.

(a) The obligations of the Company to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment of the following conditions:

(i) The representations and warranties of each of the Holders set forth in Section 3 hereof shall be true and correct on and as of the Closing date and a certificate certifying such shall be delivered.

(ii) All proceedings, corporate or otherwise, to be taken by the Holders in connection with the consummation of the transactions contemplated by this Agreement shall have been duly and validly taken and all necessary consents, approvals or authorizations of any governmental or regulatory authority or other third party required to be obtained by the Company or the Holders shall have been obtained in form and substance reasonably satisfactory to the Company.

(iii) The Shareholder Approval shall be obtained by the necessary affirmative vote of the shareholders of the Company as described above in Section 1.

(iv) Each of the Holders shall have delivered to the Company for cancellation their Notes or an affidavit of loss and indemnity.

(b) The obligations of the Holders to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment of the following conditions:

(i) The representations and warranties of the Company set forth in Section 2 hereof shall be true and correct on and as of the Closing date and a certificate certifying such shall be delivered.

(ii) All proceedings, corporate or otherwise, to be taken by the Company in connection with the consummation of the transactions contemplated by this Agreement shall have been duly and validly taken and all necessary consents, approvals or authorizations of any governmental or regulatory authority or other third party required to be obtained by the Company or the Holders shall have been obtained in form and substance reasonably satisfactory to the Holders.

(iii) The Shareholder Approval shall be obtained by the necessary affirmative vote of the shareholders of the Company as described above in Section 1.

(iv) The Company shall have caused the Conversion Shares to be approved for listing on the American Stock Exchange or any national securities exchange on which the Common Stock is then listed.

(v) The Holders shall have received a legal opinion of Graubard Miller, counsel to the Company, addressed to the Holders dated as of the Closing date covering such matters as is customary of transactions of this nature and in form and substance reasonably satisfactory to the Holders.

(vi) Each of the Holders shall have delivered to the Company for cancellation their Notes or an affidavit of loss and indemnity

5. REGISTRATION.

(a)(i) The Company shall file, and use reasonable best efforts to cause to be declared effective by the Commission as promptly as practicable but in no event later than six months following the Closing Date, a registration statement (the "Required Registration Statement") to register the Conversion Shares received by the Holders upon the Debt Conversion for resale pursuant to the Securities Act.

(ii) In connection the foregoing, the Company will, as expeditiously as possible, use its best efforts to: (A) furnish to New Valley and Frost-Nevada copies of reasonably complete drafts of all such documents proposed to be filed (including exhibits), and each of New Valley and Frost-Nevada shall have the opportunity to object to any information pertaining solely to it that is contained therein and the Company will make the corrections reasonably requested by either of them with respect to such information prior to filing any such registration statement or amendment; (B) prepare and file with the Commission such amendments and supplements to such registration statement and any prospectus used in connection therewith as may be necessary to maintain the effectiveness of such registration statement and to comply with the provisions of the Securities Act with respect to the disposition of all Conversion Shares covered by such registration statement; (C) promptly notify New Valley and Frost-Nevada: (1) when such registration statement or any prospectus used in connection therewith, or any amendment or supplement thereto, has been filed and, with respect to such registration statement or any post-effective amendment thereto, when the same has become effective; (2) of any written comments from the Commission with respect to any filing referred to in clause (A) and of any written request by the Commission for amendments or supplements to such registration statement or prospectus; and (3) of the notification to the Company by the Commission of its initiation of any

proceeding with respect to the issuance by the Commission of, or of the issuance by the Commission of, any stop order suspending the effectiveness of such registration statement; (D) furnish New Valley and Frost-Nevada such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 promulgated under the Securities Act relating to the Conversion Shares, and such other documents, as New Valley or Frost-Nevada may reasonably request to facilitate the disposition of its Conversion Shares; (E) notify New Valley and Frost-Nevada at any time when a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which any prospectus included in such registration

statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and at the request of New Valley or Frost-Nevada promptly prepare and furnish New Valley and Frost-Nevada a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (F) make available for inspection by New Valley and Frost-Nevada and any attorney, accountant or other agent retained by any such seller or underwriter (collectively, the "Inspectors"), all financial and other records, pertinent corporate documents and properties of the Company as shall be reasonably necessary to enable them to exercise their due diligence responsibility, and cause the Company's officers, directors and employees to supply all information reasonably requested by any such Inspector in connection with such registration statement, and permit the inspectors to participate in the preparation of such registration statement and any prospectus contained therein and any amendment or supplement thereto.

(b) The Company shall bear all fees and expenses attendant to registering the Conversion Shares, but the Holders shall pay any and all sales commissions and the expenses of any legal counsel selected by them to represent them in connection with the sale of the Conversion Shares. The Company shall use its best efforts to cause any registration statement filed pursuant to this section to remain effective until all the Conversion Shares registered thereunder are sold or until the delivery to the Holders of an opinion of counsel to the Company to the effect set forth in Section 5(h).

(c)(i) The Company will indemnify the Holders, their directors and officers and each underwriter, if any, and each person who controls any of them within the meaning of the Securities Act or the Exchange Act against all claims, losses, damages and liabilities (or actions or proceedings, commenced or threatened, in respect thereof), joint or several, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any prospectus, offering circular or other document (including any related registration statement, notification or the like) incident to any registration, qualification or compliance pursuant to this Section 5 or based on any omission (or alleged omission) to state therein a material fact required to be stated

therein or necessary to make the statements therein not misleading, or any violation by the Company of the Securities Act or any rule or regulation thereunder applicable to the Company in connection with any such registration, qualification or compliance, and will reimburse the Holders, their directors and officers, each such underwriter and each person who controls any such underwriter within the meaning of the Securities Act or the Exchange Act for any legal and any other expenses reasonably incurred in connection with investigating and defending any such claim, loss, damage, liability or action or proceeding; provided that the Company will not be liable to a Holder in any such case to the extent that any such claim, loss, damage, liability or expense arises out of or is based on any untrue statement or omission based upon written information furnished to the Company by or on behalf of such Holder specifically stating that it is intended for inclusion in any registration statement under which Conversion Shares are registered. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of a Holder or any such director, officer or controlling person, and shall survive the transfer of such securities by any Holder.

(ii) Each of the Holders, severally and not jointly, shall

indemnify the Company, each of its directors and officers and each underwriter, if any, of the Company's securities covered by such registration statement, each person who controls the Company or such underwriter within the meaning of the Securities Act and the Exchange Act and the rules and regulations thereunder, each other securityholder participating in such distribution and each of their officers and directors and each person controlling such other securityholder, against all claims, losses, damages and liabilities (or actions or proceedings, commenced or threatened, in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company and such other security holders, directors, officers, persons, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action or proceeding, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such document in reliance upon and in conformity with written information furnished to the Company by or on behalf of such Holder specifically stating that it is intended for inclusion in such document; provided, however, that the obligations of each Holder hereunder shall be limited to an amount equal to the proceeds received by such Holder of securities sold as contemplated herein. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling person, and shall survive the transfer of such securities by any Holder.

(iii) Each party desiring indemnification or contribution under this Section 5(c) hereof (the "Securities Indemnified Party") shall give notice to the party required to provide indemnification or contribution (the "Securities Indemnifying Party") promptly after such Securities Indemnified Party has actual knowledge of any claim as to which indemnity or contribution may be sought, and shall permit the Securities Indemnifying Party to assume, at its sole cost and expense, the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Securities Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting

therefrom, shall be approved by the Securities Indemnified Party (whose approval shall not be unreasonably withheld). The Securities Indemnified Party may participate in such defense at the Securities Indemnified Party's expense unless (A) the employment of counsel by the Securities Indemnified Party has been authorized in writing by the Securities Indemnifying Party, (B) the Securities Indemnified Party has been advised by such counsel employed by it that there are legal defenses available to it involving potential conflict with those of the Securities Indemnifying Party (in which case the Securities Indemnifying Party will not have the right to direct the defense of such action on behalf of the Securities Indemnified Party), or (C) the Securities Indemnifying Party has not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of the action, in each of which cases the reasonable fees and expenses of counsel for the Securities Indemnified Party shall be at the expense of the Securities Indemnifying Party. The failure of any Securities Indemnified Party to give notice as provided herein shall not relieve the Securities Indemnifying Party of its obligations under this Section 5. No Securities Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Securities Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Securities Indemnified Party of a release from all liability in respect to such claim or litigation. No Securities Indemnified Party shall settle any claim or demand without the prior written consent of the Securities Indemnifying Party (which consent will not be unreasonably withheld).

Each Securities Indemnified Party shall furnish such information regarding itself or the claim in question as the Securities Indemnifying Party may reasonably request in writing and as shall be reasonably required in connection with defense of such claim and litigation resulting therefrom.

(iv) The provisions of this Section 5(c) shall be in addition to any other rights to indemnification or contribution which an Indemnified Party may have pursuant to law, equity, contract or otherwise.

(d) In order to provide for just and equitable contribution under the Securities Act in any case in which (A) any person entitled to indemnification under Section (c) makes a claim for indemnification pursuant hereto but such indemnification is not enforced in such case notwithstanding the fact that this section provides for indemnification in such case, or (B) contribution under the Securities Act, the Exchange Act or otherwise is required on the part of any such person in circumstances for which indemnification is provided under this section, then, and in each such case, the Company and each of the Holders shall contribute to the aggregate losses, liabilities, claims, damages and expenses of the nature contemplated by said indemnity agreement (including legal and other expenses reasonably incurred in connection with investigation or defense) incurred by the Company and the Holders, as incurred, in proportion to their relative fault and the relative knowledge and access to information of the Securities Indemnifying Party, on the one hand, and the Securities Indemnified Party, on the other hand, concerning the matters

resulting in such losses, liabilities, claims, damages and expenses, the opportunity to correct and prevent any untrue statement or omission, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission of a material fact relates to information supplied by the Securities Indemnifying Party, on the one hand, or the Securities Indemnified Party, on the other hand, and any other equitable considerations appropriate under the circumstances; provided that no person guilty of a fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this section, each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act shall have the same rights to contribution as the Company.

(e) Each of the Holders shall furnish to the Company such information regarding itself and the distribution proposed by it as the Company may reasonably request in writing and as shall be reasonably required in connection with any registration, qualification or compliance referred to in this Section 5.

(f) The Company shall comply with all of the reporting requirements of the Exchange Act and with all other public information reporting requirements of the Commission, which are conditions to the availability of Rule 144 for the sale of the Common Stock. The Company shall cooperate with each Holder in supplying such information as may be necessary for such Holder to complete and file any information reporting forms presently or hereafter required by the Commission as a condition to the availability of Rule 144.

(g) The Company represents and warrants to the holders of Conversion Shares that the granting of the registration rights to the Holders hereby does not and will not violate any agreement between the Company and any other security holders with respect to registration rights granted by the Company.

(h) The rights granted under this Section 5 shall terminate upon delivery to the Holders of an opinion of counsel to the Company reasonably

satisfactory to the Holders to the effect that such rights are no longer necessary for the public sale of the Conversion Shares without restriction as to the number of securities that may be sold at any one time or the manner of sale.

(i) The rights granted under this Section 5 shall not be transferable.

6. PRESS RELEASE; FILINGS. Promptly after execution of this Agreement, the Company shall issue a press release announcing the Debt Conversion. The Company shall also file with the Securities and Exchange Commission a Current Report on Form 8-K with respect to the transactions contemplated hereby. The Company shall provide the Holders with drafts of both the press release and Form 8-K and a reasonable opportunity to comment thereon. No party hereto shall make any public announcements in respect of this Agreement or the transactions contemplated herein inconsistent with the press release and Form 8-K without the prior approval of the other parties as to the form and

content thereof, which approval will not be unreasonably withheld. Notwithstanding the foregoing, any disclosure may be made by a party which its counsel advises is required by applicable law or regulation, in which case the other party shall be given such reasonable advance notice as is practicable in the circumstances and the parties shall use their best efforts to cause a mutually agreeable release or announcement to be issued. The parties may also make appropriate disclosure of the transactions contemplated by this Agreement to their officers, directors, agents and employees.

7. TERMINATION. This Agreement may be terminated no later than the Closing:

(a) At the option of any party in the event that the Debt Conversion has not occurred by December 31, 2004 and such delay was not as a result of any breach of this Agreement by the terminating party;

(b) By the Holders if the Company's Board of Directors failed to recommend or withdrew or modified in a manner adverse to the Holders its approval or recommendation of the Debt Conversion;

(c) At the option of any party in the event that Shareholder Approval was not obtained at the Shareholder Meeting and any adjournment thereof;

(d) At the option of any party if any other party has materially breached a term of this Agreement and has not cured such breach within 30 days; or

(e) At the option of any party if any competent regulatory authority shall have issued an order making illegal or otherwise restricting, preventing, prohibiting or refusing to approve the transactions contemplated hereby, and such order shall have become final and non-appealable.

8. MISCELLANEOUS.

(a) Section headings used in this Agreement are for convenience of reference only and shall not affect the construction of this Agreement.

(b) This Agreement may be executed in any number of counterparts and by the different parties on separate counterparts and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same agreement.

(c) This Agreement shall be a contract made under and governed by the laws of the State of New York.

(d) All obligations of the Company and rights of the Holders expressed herein shall be in addition to and not in limitation of those provided by applicable law.

(e) This Agreement shall be binding upon the Company, the Holders and their respective successors and assigns, and shall inure to the benefit of the Company, the Holders and their respective successors and permitted assigns.

(f) The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person or entity.

(g) All amendments or modifications of this Agreement and all consents, waivers and notices delivered hereunder or in connection herewith shall be in writing.

(h) This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties with respect thereto.

(i) Whether or not the Closing occurs, the Company shall pay all costs and expenses, including reasonable attorneys' fees, incurred by it or the Holders with respect to the negotiation, execution, delivery and performance of this Agreement, including any expenses of enforcing this provision. This provision shall survive termination of the Agreement. The Company further agrees that it shall reimburse (or advance) to the Holders any costs and expenses incurred in connection with the engagement by such Holders of a nationally recognized appraiser to perform an appraisal of the value of each Holder's Conversion Shares upon the Closing for purposes of preparing each Holder's tax returns.

9. WAIVER OF JURY TRIAL. EACH OF THE COMPANY AND THE HOLDERS HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

10. SPECIFIC PERFORMANCE. THE PARTIES HERETO ACKNOWLEDGE AND AGREE THAT ANY REMEDY AT LAW FOR ANY BREACH OF THE PROVISIONS OF THIS AGREEMENT WOULD BE INADEQUATE, AND EACH PARTY HERETO HEREBY CONSENTS TO THE GRANTING BY ANY COURT OF AN INJUNCTION OR OTHER EQUITABLE RELIEF, WITHOUT THE NECESSITY OF ACTUAL MONETARY LOSS BEING PROVED, IN ORDER THAT THE BREACH OR THREATENED BREACH OF SUCH PROVISIONS MAY BE EFFECTIVELY RESTRAINED.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

LADENBURG THALMANN FINANCIAL
SERVICES INC.

By: /s/ VICTOR M. RIVAS

Name: Victor M. Rivas
Title: President and CEO

NEW VALLEY CORPORATION

By: /s/ RICHARD J. LAMPEN

Name: Richard J. Lampen
Title: Executive Vice President

FROST-NEVADA INVESTMENTS TRUST

By: /s/ PHILLIP FROST

Name: Phillip Frost, M.D.
Title: President

/s/ BENNETT S. LEBOW

Bennett S. LeBow
(solely with respect to Section 1(d) hereof)

/s/ HOWARD M. LORBER

Howard M. Lorber
(solely with respect to Section 1(d) hereof)

/s/ RICHARD J. LAMPEN

Richard J. Lampen
(solely with respect to Section 1(d) hereof)

/s/ HENRY C. BEINSTEIN

Henry C. Beinstein
(solely with respect to Section 1(d) hereof)

/s/ ROBERT J. EIDE

Robert J. Eide
(solely with respect to Section 1(d) hereof)

/s/ VICTOR M. RIVAS

Victor M. Rivas
(solely with respect to Section 1(d) hereof)

Exhibit 10.56

NOTE PURCHASE AGREEMENT

NOTE PURCHASE AGREEMENT, dated as of March 29, 2004 ("Agreement"), between Ladenburg Thalmann Financial Services Inc., a Florida corporation (the "Company"), and Berliner Effektengesellschaft AG, a German corporation ("Berliner")

RECITALS:

A. Berliner is the holder of a senior convertible promissory note due December 31, 2005 issued by the Company to Berliner in the principal amount of $1,990,000 (plus all accrued but unpaid interest thereon) (the "Note");

B. The Company desires to repurchase from Berliner, and Berliner desires to sell to the Company, the Note on the terms and conditions set forth herein;

NOW THEREFORE, the parties hereto agree as follows:

1. PURCHASE AND SALE OF NOTES. Subject to the terms and conditions herein set forth, Berliner hereby agrees to sell to the Company, and the Company hereby agrees to repurchase the Note, for an aggregate purchase price of $1,000,000.

2. CLOSING. The closing of the purchase and sale of the Note ("Closing") shall take place on the third business day following the execution of this Agreement at the offices of Graubard Miller, 600 Third Avenue, New York, New York 10016 or on such other date as the Company and Berliner mutually agree. At the Closing, Berliner, against receipt of the purchase price in good funds by wire transfer to an account designated in writing by Berliner, will deliver the Note to the Company.

3. REPRESENTATIONS OF BERLINER. Berliner hereby represents and warrants to the Company as follows:

(a) Berliner is the record and beneficial owner of, and has good and marketable title to, the Note, free and clear of all liens, security interests, charges, claims, restrictions and other encumbrances. No other person or entity has any interest in the Note of any nature.

(b) Berliner has the full legal power to execute and deliver this Agreement and to perform its obligations hereunder and thereunder. All acts required to be the taken by Berliner to enter into this Agreement and to carry out the transactions contemplated hereby have been properly taken; and this Agreement constitutes the legal, valid and binding obligation of Berliner, enforceable in accordance with its terms.

(c) Berliner recognizes that its right to acquire equity securities of the Company by converting the Note will be surrendered as a result of the transactions contemplated by this Agreement and that it will no longer have any right to receive any payment of principal or accrued but unpaid interest on the Note.

(d) Berliner has had both the opportunity to ask questions and receive answers from the officers and directors of the Company concerning the business and operations of the Company and to obtain any additional information regarding the

Company and its business and operations to the extent the Company possesses such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of such information, including reports filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

(e) Berliner possesses sufficient knowledge and experience in financial and business matters to enable it to evaluate the merits and risks of the sale of the Note to the Company and the transactions contemplated by this Agreement.

(f) Berliner acknowledges that, simultaneously with the consummation of the transactions contemplated by this Agreement, New Valley Corporation and Frost-Nevada Investments Trust are entering into an agreement to convert the full face value of the $18.01 million principal amount of Senior Convertible Promissory Notes held by such parties, plus all accrued interest thereon, into common stock of the Company at conversion prices of $1.10 per share and $0.70 per share, respectively.

4. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company hereby represents and warrants to Berliner as follows:

(a) The Company has the full legal power to execute and deliver this Agreement and to perform its obligations hereunder and thereunder. All acts required to be the taken by the Company to enter into this Agreement and to carry out the transactions contemplated hereby have been properly taken; and this Agreement constitutes the legal, valid and binding obligation of the Company, enforceable in accordance with its terms.

5. MISCELLANEOUS.

(a) The warranties and representations of the Company and Berliner contained in or made pursuant to this Agreement shall survive the closing of the transaction contemplated by this Agreement and they shall in no way be affected by any investigation of the subject matter thereof made by or on behalf of the Company or Berliner.

(b) This Agreement shall be binding upon and inure to the benefit of each party hereto, and its respective heirs, executors, legal representatives, successors and assigns. This Agreement constitutes the entire understanding and agreement between the parties with regard to the subject matter hereof and may not be amended or modified except by a written agreement specifically referring to this Agreement signed by all the parties. No waiver of any breach or default hereunder shall be considered valid unless in writing and signed by the party giving such waiver, and no such waiver shall be deemed a waiver of any subsequent breach or default of the same or similar nature.

(c) This Agreement shall be governed by and construed under the internal laws of the State of New York, disregarding any principles of conflicts of laws. The parties acknowledge that this selection of law is reasonable because of the diversity of jurisdictions in which the parties are domiciled and operate their businesses.

(d) In the event of any dispute under this Agreement among or between the parties, but not as to any third parties, then and in such event, each party agrees that the same shall be submitted to the American Arbitration

Association (AAA) in the City of New York, State of New York, for its decision and determination in accordance with its rules and regulations then in effect. The panel shall consist of three arbitrators, as mutually determined, provided that if the parties cannot agree on one or more of the arbitrators, then the AAA will designate the arbitrators. Each of the parties agrees that the decision and or award made by the AAA may be entered as a judgment of the courts of the State of New York and shall be enforceable as such.

(e) This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The parties agree that this Agreement may be executed by facsimile copy, which signature will be treated for all purposes as an original signature.

(f) Any notice required or permitted under this Agreement shall be given in writing and shall either be delivered personally or sent by certified mail, return receipt requested, postage prepaid, or by Federal Express next business day service with signed receipt required, to the addresses set forth on the signature page, or to such other address as either shall have specified by notice in writing to the other, and shall be deemed duly given hereunder when so delivered.

(g) The section headings are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope or intent of any provision of this Agreement.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Agreement as of the date first above written.

BERLINER EFFEKTENGESELLSCHAFT AG

By: /s/ Holger Timm

Name: Holger Timm
Title: Chief Executive Officer
Address: Kurfustendamm 119
10711 Berlin, Germany

LADENBURG THALMANN FINANCIAL SERVICES INC.

By: /s/ Salvatore Giardina

Name: Salvatore Giardina
Title: Vice President and Chief
Financial Officer
Address: 590 Madison Avenue
New York, New York 10016

LADENBURG THALMANN FINANCIAL SERVICES INC.

CODE OF BUSINESS CONDUCT AND ETHICS

PURPOSE

This Code of Business Conduct and Ethics ("this Code") contains the policy guidelines and procedures adopted by the Board of Directors of the Company (the "Board") that relate to the legal and ethical standards for conducting Company business. This Code does not cover every applicable law or to anticipate every issue that may arise, but does set out basic principles to guide all directors, officers and employees of the Company. If you are unclear about a particular situation, stop and ask for guidance before taking action.

ADMINISTRATION, APPLICABILITY AND VIOLATIONS

The Board (or the appropriate committee of the Board) is responsible for setting the standards of business conduct contained in this Code and updating these standards as appropriate to reflect legal and regulatory developments.

This Code applies to all directors, officers and employees of the Company (the "Covered Persons"). It is the obligation of each and every Covered Person to become familiar with this Code, to adhere to the standards and restrictions set forth herein, to conduct himself or herself accordingly. The Company's more detailed policies and procedures set forth from time to time in any employee handbook and policy manual of the Company are separate requirements and are not part of this Code.

While the Company's Legal Department will oversee the procedures designed to implement this Code, it is the individual responsibility of each Covered Person to comply with this Code. Those who violate this Code will be subject to appropriate disciplinary action which, depending on the severity of the violation, may include suspension or termination.

POLICY GUIDELINES

A. HONEST AND CANDID CONDUCT

Covered Persons owe a duty to the Company to act with integrity. Integrity requires, among other things, being honest and candid. Deceit and subordination of principle are inconsistent with integrity.

Each Covered Person should:

1. act with integrity, including being honest and candid while still maintaining the confidentiality of information where required or consistent with the Company's policies;

2. observe both the form and spirit of laws and governmental rules and regulations, accounting standards and Company policies; and

3. adhere to a high standard of business ethics.

B. CONFLICTS OF INTEREST

A "conflict of interest" exists when a person's private interest interferes, or appears to interfere, in any way with the interests of the Company as a whole. A conflict situation can arise when a Covered Person takes actions or has interests that may make it difficult to perform his or her work on behalf of the Company objectively and effectively. Conflicts of interest may also arise if a Covered Person, or a member of his or her family, receives improper personal benefits as a result of his or her position in the Company. Loans to, or guarantees of obligations of, Covered Persons and their family members may cause conflicts.

Service to the Company should never be subordinated to personal gain and advantage. Accordingly, Company policy requires that actual or potential conflicts of interest should be avoided, wherever possible, except under guidelines approved by the Board (or the appropriate committee of the Board). Conflicts of interest may not always be clear-cut, so if you have a question, you should ask for guidance from the Legal Department. Any Covered Person who becomes aware of a conflict or potential conflict should bring it to the attention of a supervisor, manager or the Legal Department.

C. CORPORATE OPPORTUNITIES

Covered Persons owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Covered Persons are therefore prohibited from (i) without the consent of the Legal Department, taking for themselves personally opportunities that are discovered through the use of Company property, information or position, unless the Company has already been offered the opportunity and turned it down, (ii) using Company property, information or position for improper personal gain and (iii) competing with the Company.

D. CONFIDENTIALITY

Covered Persons should not disclose to anyone outside the Company any confidential information entrusted to them by the Company or its suppliers, customers or business partners, except when disclosure is authorized by the Legal Department or otherwise legally required. Confidential information includes all non-public information that might be useful to competitors, or harmful to the Company or its suppliers, customers or business partners, if disclosed. Confidential information includes, for example, trade secrets, technology, research, customer and supplier lists, unannounced financial data and projections and business plans. The obligation to preserve confidential information continues even after employment ends.

E. FAIR DEALING

The Company seeks to outperform its competitors fairly and honestly through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent

or inducing disclosures of such information by past or present employees, agents or representatives of other companies is prohibited.

Covered Persons should endeavor to deal fairly and in good faith with the Company's customers, suppliers and competitors and their employees. No Covered Person should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other intentional unfair-dealing practice.

F. PROTECTION AND PROPER USE OF COMPANY ASSETS

Company assets, such as information, materials, supplies, time, software, hardware and facilities, among other property, are valuable resources owned, licensed or otherwise belonging to the Company. Theft, carelessness and waste have a direct impact on the Company's profitability. Company assets should be used for legitimate business purposes. Accordingly, all Covered Persons should endeavor to protect the Company's assets and ensure their efficient use.

Unauthorized use of Company assets is prohibited and should be reported. The personal use of Company assets without permission is prohibited, although incidental personal use is permitted. If you have any questions about whether your personal use of a Company asset is incidental, you should ask for guidance from the Legal Department before taking action.

G. COMPLIANCE WITH LAWS, RULES AND REGULATIONS

All Covered Persons are expected to obey, and to insure that the Company obeys, all laws and governmental rules and regulations of the cities, states and countries in which the Company operates. Although Covered Persons are not expected to know the details of these laws, it is important to know enough to determine when to seek advice from supervisors, managers and appropriate personnel. If you have any questions, you should consult your supervisor or the Legal Department.

The Company is committed to complying with all applicable federal and state securities laws, including laws prohibiting insider trading. Covered Persons who have access to material non-public information about the Company are not permitted to use or share that information for stock trading purposes or for any other purpose except the conduct of Company business. To use material non-public information for personal financial benefit or to "tip" others who might make an investment decision on the basis of this information is not only unethical but also illegal. If you have any questions, please consult the Legal Department.

H. ACCURATE AND TIMELY PERIODIC REPORTS

The Company is committed to providing full, fair, accurate, timely and understandable disclosure in periodic reports and documents that the Company files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company. All Company employees and officers who are involved in the Company's public disclosure process, but in particular the Chief Executive Officer, Chief Financial Officer, principal accounting officer or controller, or persons performing similar functions (collectively, the "Senior Financial Officers"), are responsible for fulfilling this commitment.

REPORTING ANY ILLEGAL OR UNETHICAL BEHAVIOR

Covered Persons have a duty to adhere to this Code and all existing Company policies and to report to the Company any suspected violations in accordance with applicable procedures. Employees are encouraged to talk to supervisors, managers or the Legal Department about observed violations of this Code or any other illegal or unethical behavior or when in doubt about the best course of action in a particular situation. Directors and officers should report any known or suspected violations of this Code or any other illegal or unethical behavior to the General Counsel.

It is the policy of the Company not to allow retaliation for reports of

violations of this Code or any other illegal or unethical behavior by any employee made in good faith. All employees are expected to cooperate in internal investigations of misconduct.

DISCLOSURE, AMENDMENTS AND WAIVERS

This Code will be filed as an exhibit to the Company's Annual Report on Form 10-K.

Any waiver of any provision of this Code for any executive officer or director may be made only by the Board (or the appropriate committee of the Board). The provisions of this Code may be waived for any employee who is not an executive officer or director by the Legal Department.

Any amendment of this Code or any waiver of any provision of this Code for any Senior Financial Officer, executive officer or director will be promptly disclosed as required by the rules of the Securities and Exchange Commission and the American Stock Exchange listing requirements.

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EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

<TABLE>
<CAPTION>

NAME	PERCENTAGE OWNERSHIP (%)	STATE OF ORGANIZATION
<S>	<C>	<C>
Ladenburg Thalmann & Co. Inc.	100	Delaware
Ladenburg Capital Fund Management Inc.	100	New York
Ladenburg Capital Management Inc.	100	New York
Ladenburg Thalmann Asset Management Inc.*	100	New York
Financial Partners Capital Management Inc.*	100	New York

</TABLE>

* Wholly owned by Ladenburg Thalmann & Co. Inc.

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 23.1

CONSENT OF EISNER LLP, INDEPENDENT AUDITORS

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

We consent to the incorporation by reference in the Registration Statements ("Registration Statements") of Ladenburg Thalmann Financial Services Inc. on Form S-8 (Nos. 333-82688, 333-101360 and 333-101361) and on Form S-3 (No. 333-37934, 333-71526, 333-81964 and 333-88866) of our report dated February 5, 2004, except for the fifth and sixth paragraphs of Note 13, as to which the date is March 29, 2004, with respect to the consolidated financial statements as of and for the years ended December 31, 2003 and 2002 of Ladenburg Thalmann Financial Services Inc. included in this Annual Report on Form 10-K for the year ended December 31, 2003.

/s/ Eisner LLP
Eisner LLP
New York, New York
March 30, 2004

EXHIBIT 23.2

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-82688, 333-101360 and 333-101361) and on Form S-3 (No. 333-37934, 333-71526, 333-81964 and 333-88866) of Ladenburg Thalmann Financial Services Inc. ("Company") of our report dated March 22, 2002 relating to the financial statements, which appears in the Company's Form 10-K for the year ended December 31, 2001.

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
New York, New York
March 30, 2004

EXHIBIT 31.1

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

I, Victor M. Rivas, 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(s) 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)) 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) [intentionally omitted];

   (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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the audit committee of the 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 30, 2004

By: /s/ VICTOR M. RIVAS

Name: Victor M. Rivas
Title: President and Chief 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, Salvatore Giardina, 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(s) 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)) 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) [intentionally omitted];

   (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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and to the audit committee of the 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 30, 2004

By: /s/ SALVATORE GIARDINA

Name: Salvatore Giardina
Title: Vice President and
Chief Financial 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 period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Victor M. Rivas, 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 operation of the Company.

Dated: March 30, 2004

By: /s/ Victor M. Rivas

Victor M. Rivas
President and Chief Executive Officer

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 period ended December 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Salvatore Giardina, 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 operation of the Company.

Dated: March 30, 2004

By: /s/ Salvatore Giardina

Salvatore Giardina
Vice President and Chief Financial Officer