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## **LADENBURG THALMANN TO ACQUIRE KMS FINANCIAL SERVICES**

**Leading Seattle-Based Independent Broker-Dealer Will Strengthen Ladenburg's  
Position in Pacific Northwest**

**Transaction to Add Over \$14 Billion in Client Assets and Approximately 325 Independent Financial  
Advisors and \$84 Million in Revenue**

**Ladenburg Will Have Approximately \$110 Billion in Client Assets, 3,500 Independent Financial  
Advisors and \$1 Billion of Annual Revenues Upon Closing of Pending Acquisitions**

**Miami, FL – August 11, 2014**—Ladenburg Thalmann Financial Services, Inc. (NYSE MKT: LTS, LTS PrA) ("Ladenburg"), a publicly-traded diversified financial services company, announced today it has signed a definitive agreement to acquire KMS Financial Services, Inc. ("KMS"), a leading Seattle-based independent broker-dealer and investment advisor with a strong presence in the Pacific Northwest.

Under the terms of the transaction, Ladenburg will pay approximately \$24 million, consisting of \$11 million of cash, \$8 million of four-year notes and 1,440,922 shares of Ladenburg common stock. This transaction is part of Ladenburg's ongoing strategy to strengthen its position as an industry-leading network of independent brokerage and advisory firms and its market share in the industry.

Founded in 1971, KMS has approximately 325 independent financial advisors with over \$14 billion in client assets and revenues of approximately \$84 million for the 12 months ended June 30, 2014. Upon completion of the transaction, Mark Hamby, KMS's Chairman and CEO, Eric Westberg, its President and COO, and the rest of the KMS management team will continue to operate KMS as a stand-alone business based in its current headquarters in Seattle, Washington.

With the KMS acquisition and Ladenburg's recently-announced, pending acquisition of assets of Sunset Financial Services, Inc., Ladenburg's network of independent brokerage and advisory firms will total approximately 3,500 financial advisors with \$110 billion in total client assets and Ladenburg will have annual revenues of approximately \$1 billion. The KMS transaction will give Ladenburg a significantly expanded presence in the Pacific Northwest.

"This transaction shows Ladenburg's commitment to the proposition that the independent brokerage and advisory business is one of the most dynamic areas of the financial services industry," said Dr. Phillip Frost, Ladenburg's Chairman of the Board and principal shareholder. "We value the unique culture of KMS and believe that they will be a natural fit for the businesses we are building at Ladenburg."



“KMS has been owned and operated by its key managers for more than 40 years, and has established itself as a client focused firm committed to helping mainstream investors reach their financial goals,” said Richard Lampen, Ladenburg’s President and CEO. “As a part of the Ladenburg family, KMS will retain its distinct brand while gaining the advantages of access to the differentiated products and services offered to our independent advisors, enabling them to meet evolving client needs, stay competitive and further grow their business.”

“We have been impressed by Ladenburg’s record of acquiring independent brokerage and advisory firms with distinct cultures and helping them pool their collective strengths to capitalize on growth opportunities,” said Mr. Hamby. “Joining Ladenburg’s alliance of firms points to a dynamic future for the culture we’ve developed over KMS’s first 43 years.”

KMS will leverage the financial benefits and strength that Ladenburg possesses as an established public company. In addition, KMS advisors will have access to the differentiated products and services that Ladenburg brings to the independent channel, including: access to investment banking and capital markets resources, institutional quality equity research, a fixed-income trading desk, wealth management services through Ladenburg Thalmann Asset Management, specialized point-of-sale support for life insurance products through Highland Capital Brokerage, and advisor-friendly trust services through Premier Trust.

Ladenburg acquired its first independent broker-dealer firm in 2007 and its subsidiaries today include Securities America, Triad Advisors and Investacorp. Like these firms, KMS will retain its special culture and management team, while benefitting from the wide array of investment products, services, technology and practice management support that define Ladenburg’s commitment to the independent broker-dealer and advisory space.

Ladenburg’s acquisition of KMS is expected to close later this year, and is subject to regulatory approval and other customary closing conditions. Approval by Ladenburg’s shareholders is not required. Graubard Miller served as legal counsel for Ladenburg in the transaction, and Aery Advisors served as counsel for KMS.

