

OPPENHEIMER HOLDINGS INC

Form 10-Q

August 09, 2011

Table of Contents

As filed with the Securities and Exchange Commission on August 9, 2011

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the Quarterly Period ended June 30, 2011

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

**Commission File Number: 1-12043
OPPENHEIMER HOLDINGS INC.**

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

98-0080034
(I.R.S. Employer
Identification No.)

125 Broad Street
New York, New York 10004
(Address of principal executive offices) (Zip Code)
(212) 668-8000
(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☒ No

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

The number of shares of the Company's Class A non-voting common stock and Class B voting common stock (being the only classes of common stock of the Company) outstanding on July 29, 2011 was 13,570,945 and 99,680 shares, respectively.

OPPENHEIMER HOLDINGS INC.
INDEX

Page
No.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

Condensed Consolidated Balance Sheets as of June 30, 2011 and December 31, 2010 1

Condensed Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010 3

Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2011 and 2010 4

Condensed Consolidated Statements of Cash Flows for the three and six months ended June 30, 2011 and 2010 5

Condensed Consolidated Statements of Changes in Equity for the three and six months ended June 30, 2011 and 2010 7

Notes to Condensed Consolidated Financial Statements 8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 46

Item 3. Quantitative and Qualitative Disclosures About Market Risk 61

Item 4. Controls and Procedures 61

PART II OTHER INFORMATION

Item 1. Legal Proceedings 63

Item 1A. Risk Factors 70

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 6. Exhibits 71

Signatures 72

Certifications

Exhibit 10.1

Exhibit 31.1

Exhibit 31.2

Exhibit 32

Table of Contents

PART I
FINANCIAL INFORMATION

Item. 1 Financial Statements

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

<i>(Expressed in thousands of dollars)</i>	June 30, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	\$ 109,561	\$ 52,854
Cash and securities segregated for regulatory and other purposes	180,498	142,446
Deposits with clearing organizations	25,058	23,228
Receivable from brokers and clearing organizations	359,904	302,844
Receivable from customers, net of allowance for doubtful accounts of \$2,430 (\$2,716 in 2010)	923,666	924,817
Income taxes receivable	3,155	4,979
Securities purchased under agreement to resell	562,482	347,070
Securities owned, including amounts pledged of \$680,221 (\$102,501 in 2010), at fair value	1,047,628	367,019
Notes receivable, net	60,050	59,786
Office facilities, net	19,855	22,875
Intangible assets, net	38,816	40,979
Goodwill	132,472	132,472
Other	161,004	198,665
	\$ 3,624,149	\$ 2,620,034

(Continued on next page)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

<i>(Expressed in thousands of dollars)</i>	June 30, 2011	December 31, 2010
LIABILITIES AND EQUITY		
Liabilities		
Drafts payable	\$ 38,290	\$ 61,055
Bank call loans	159,000	147,000
Payable to brokers and clearing organizations	395,280	372,697
Payable to customers	560,486	406,916
Securities sold under agreement to repurchase	1,168,455	390,456
Securities sold, but not yet purchased, at fair value	181,474	160,052
Accrued compensation	120,423	175,938
Accounts payable and other liabilities	275,034	262,506
Senior secured note	200,000	
Senior secured credit note		22,503
Subordinated note		100,000
Deferred income tax, net	18,472	16,295
Excess of fair value of acquired assets over cost	7,020	7,020
	3,123,935	2,122,438
 Equity		
Oppenheimer Holdings Inc. stockholders' equity		
Share capital		
Class A non-voting common stock		
(2011 13,568,945 shares issued and outstanding		
2010 13,268,522 shares issued and outstanding)	62,497	51,768
Class B voting common stock		
99,680 shares issued and outstanding	133	133
	62,630	51,901
Contributed capital	35,060	47,808
Retained earnings	396,422	394,648
Accumulated other comprehensive income	1,648	207
Stockholders' equity	495,760	494,564
Noncontrolling interest	4,454	3,032
Total equity	500,214	497,596
	\$ 3,624,149	\$ 2,620,034

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
<i>Expressed in thousands of dollars, except share and per share amounts</i>				
REVENUE:				
Commissions	\$ 120,790	\$ 139,582	\$ 257,645	\$ 277,779
Principal transactions, net	13,313	16,778	24,304	36,957
Interest	13,649	11,198	28,438	20,776
Investment banking	33,717	36,336	62,158	61,520
Advisory fees	50,055	43,984	98,504	86,778
Other	12,994	9,118	26,886	19,361
	244,518	256,996	497,935	503,171
EXPENSES:				
Compensation and related expenses	160,436	164,304	330,851	322,483
Clearing and exchange fees	6,300	7,823	12,613	14,385
Communications and technology	16,069	16,300	32,008	32,740
Occupancy and equipment costs	18,524	18,262	37,070	36,722
Interest	10,669	6,389	18,443	11,690
Other	30,816	27,772	55,417	53,145
	242,814	240,850	486,402	471,165
Profit before income taxes	1,704	16,146	11,533	32,006
Income tax provision	1,266	6,284	5,334	12,780
Net profit for the period	438	9,862	6,199	19,226
Less net profit attributable to non-controlling interest, net of tax	747	660	1,422	856
Net profit (loss) attributable to Oppenheimer Holdings Inc.	\$ (309)	\$ 9,202	\$ 4,777	\$ 18,370
Profit (loss) per share attributable to Oppenheimer Holdings Inc.:				
Basic	\$ (0.02)	\$ 0.69	\$ 0.35	\$ 1.38
Diluted	\$ (0.02)	\$ 0.66	\$ 0.34	\$ 1.32
Weighted average common shares:				
Basic	13,658,720	13,349,551	13,605,020	13,323,410
Diluted	13,937,375	13,899,367	13,929,521	13,890,861
Dividends declared per share	\$ 0.11	\$ 0.11	\$ 0.22	\$ 0.22

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (unaudited)

	Three months ended June 30,		Six months ended June 30,	
<i>Expressed in thousands of dollars</i>	2011	2010	2011	2010
Net profit for the period	\$ 438	\$ 9,862	\$ 6,199	\$ 19,226
Other comprehensive income:				
Currency translation adjustment	(120)	(516)	119	(231)
Change in cash flow hedges, net of tax	1,250	(450)	1,322	(817)
Comprehensive income for the period	1,568	8,896	7,640	18,178
Comprehensive income attributable to non-controlling interests	747	660	1,422	856
Comprehensive income attributable to Oppenheimer Holdings Inc.	\$ 821	\$ 8,236	\$ 6,218	\$ 17,322

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

<i>Expressed in thousands of dollars</i>	Six months ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net profit for the period	\$ 6,199	\$ 19,226
Adjustments to reconcile net profit to net cash used in operating activities:		
Non-cash items included in net profit:		
Depreciation and amortization	6,437	6,007
Deferred income tax	2,177	8,960
Amortization of notes receivable	10,140	10,005
Amortization of debt issuance costs	571	391
Amortization of intangibles	2,163	2,162
Provision for credit losses	(286)	359
Share-based compensation	2,720	(408)
Decrease (increase) in operating assets:		
Cash and securities segregated for regulatory and other purposes	(38,052)	(28,814)
Deposits with clearing organizations	(1,830)	(9,710)
Receivable from brokers and clearing organizations	(57,060)	77,364
Receivable from customers	1,437	(16,857)
Income taxes receivable	1,824	(8,667)
Securities purchased under agreement to resell	(215,412)	(267,103)
Securities owned	(680,609)	(155,031)
Notes receivable	(10,404)	(13,587)
Other	36,805	(13,485)
Increase (decrease) in operating liabilities:		
Drafts payable	(22,765)	(10,917)
Payable to brokers and clearing organizations	23,905	(30,976)
Payable to customers	153,570	8,173
Securities sold under agreement to repurchase	777,999	308,419
Securities sold, but not yet purchased	21,422	50,131
Accrued compensation	(58,966)	(61,102)
Accounts payable and other liabilities	12,528	48,789
Cash used in operating activities	(25,487)	(76,671)

(Continued on next page)

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited) Continued

	Six months ended June 30,	
<i>Expressed in thousands of dollars</i>	2011	2010
Cash flows from investing activities:		
Purchase of office facilities	(3,013)	(5,607)
Cash used in investing activities	(3,013)	(5,607)
Cash flows from financing activities:		
Cash dividends paid on Class A non-voting and Class B voting common stock	(3,003)	(2,932)
Issuance of Class A non-voting common stock	337	2,002
Tax shortfall from share-based compensation	(1,624)	(104)
Senior secured note issuance	200,000	
Senior secured credit note repayment	(22,503)	(1,000)
Subordinated note repayment	(100,000)	
Increase (decrease) in bank call loans, net	12,000	62,400
Cash provided by financing activities	85,207	60,366
Net increase (decrease) in cash and cash equivalents	56,707	(21,912)
Cash and cash equivalents, beginning of period	52,854	68,918
Cash and cash equivalents, end of period	\$ 109,561	\$ 47,006
Schedule of non-cash investing and financing activities:		
Employee share plan issuance	\$ 10,392	\$ 1,765
Supplemental disclosure of cash flow information:		
Cash paid during the periods for interest	\$ 13,345	\$ 10,189
Cash paid during the periods for income taxes	\$ 4,087	\$ 8,020

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPPENHEIMER HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

<i>Expressed in thousands of dollars</i>	Six months ended June 30,	
	2011	2010
Share capital		
Balance at beginning of period	\$ 51,901	\$ 47,824
Issuance of Class A non-voting common stock	10,729	3,767
Balance at end of period	\$ 62,630	\$ 51,591
Contributed capital		
Balance at beginning of period	\$ 47,808	\$ 41,978
Vested employee share plan awards	(13,303)	(1,710)
Tax shortfall from share-based awards	(1,624)	(104)
Share-based expense	2,179	4,101
Balance at end of period	\$ 35,060	\$ 44,265
Retained earnings		
Balance at beginning of period	\$ 394,648	\$ 362,188
Net profit for the period attributable to Oppenheimer Holdings Inc.	4,777	18,370
Dividends (\$0.11 per share in 2011 and 2010)	(3,003)	(2,932)
Balance at end of period	\$ 396,422	\$ 377,626
Accumulated other comprehensive income (loss)		
Balance at beginning of period	\$ 207	\$ (543)
Currency translation adjustment	119	(231)
Change in cash flow hedges, net of tax	1,322	(817)
Balance at end of period	\$ 1,648	\$ (1,591)
Stockholders' Equity	\$ 495,760	\$ 471,891
Non-controlling interest		
Balance at beginning of period	\$ 3,032	\$
Grant of non-controlling interest		784
Net profit attributable to non-controlling interest for the period, net of tax	1,422	856
Balance at end of period	\$ 4,454	\$ 1,640
Total equity	\$ 500,214	\$ 473,531

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Summary of significant accounting policies

Oppenheimer Holdings Inc. (OPY) is incorporated under the laws of the State of Delaware. The consolidated financial statements include the accounts of OPY and its subsidiaries (together, the Company). The principal subsidiaries of OPY are Oppenheimer & Co. Inc. (Oppenheimer), a registered broker dealer in securities, Oppenheimer Asset Management Inc. (OAM) and its wholly owned subsidiary, Oppenheimer Investment Management Inc. (OIM), both registered investment advisors under the Investment Advisors Act of 1940, Oppenheimer Trust Company, a limited purpose trust company chartered by the State of New Jersey to provide fiduciary services such as trust and estate administration and investment management, Oppenheimer Multifamily Housing and Healthcare Finance, Inc. (formerly Evanston Financial Corporation) (OMHHF), which is engaged in mortgage brokerage and servicing, and OPY Credit Corp., which offers syndication as well as trading of issued corporate loans. Oppenheimer Europe Ltd. (formerly Oppenheimer E.U. Ltd.) (Oppenheimer Europe), based in the United Kingdom, provides institutional equities and fixed income brokerage and corporate financial services and is regulated by the Financial Services Authority. Oppenheimer Investments Asia Limited, based in Hong Kong, China, provides assistance in accessing the U.S. equities markets and limited mergers and acquisitions advisory services to Asia-based companies. Oppenheimer operates as Fahnestock & Co. Inc. in Latin America. Oppenheimer owns Freedom Investments, Inc. (Freedom), a registered broker dealer in securities, which also operates as the BUYandHOLD division of Freedom, offering on-line discount brokerage and dollar-based investing services, and Oppenheimer Israel (OPCO) Ltd., which is engaged in offering investment services in the State of Israel as a local broker dealer.

The Company s condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These accounting principles are set out in the notes to the Company s consolidated financial statements for the year ended December 31, 2010 included in its Annual Report on Form 10-K for the year then ended.

Accounting standards require the Company to present non-controlling interests (previously referred to as minority interests) as a separate component of stockholders equity on the Company s condensed consolidated balance sheet. As of June 30, 2011, the Company owns 67.34% of OMHHF and the non-controlling interest recorded in the condensed consolidated balance sheet was \$4.5 million.

The condensed consolidated financial statements include all adjustments, which in the opinion of management are normal and recurring and necessary for a fair statement of the results of operations, financial position and cash flows for the interim periods presented. The nature of the Company s business is such that the results of operations for the interim periods are not necessarily indicative of the results to be expected for a full year.

Disclosures reflected in these condensed consolidated financial statements comply in all material respects with those required pursuant to the rules and regulations of the United States Securities and Exchange Commission (SEC) with respect to quarterly financial reporting.

Certain prior period amounts appearing in the notes to the condensed consolidated financial statements pertaining to the fair value measurement of derivative contracts have been reclassified to conform with current presentation.

Table of Contents

2. New Accounting Pronouncements

Recently Adopted

In December 2010, the Financial Accounting Standards Board (the FASB) issued ASU No. 2010-28, Intangibles Goodwill and Other, which modified Step 1 of the goodwill impairment test for reporting units with a zero or negative carrying value, stating that under such circumstances an entity should perform Step 2 of the impairment analysis when it is more likely than not that goodwill is impaired. The Company adopted this requirement in the period ending March 31, 2011 with no impact on its financial statements.

In February 2010, the FASB issued ASU No. 2010-10, Consolidation Amendments for Certain Investment Funds, that will indefinitely defer the effective date of the updated Variable Interest Entity (VIE) accounting guidance for certain investment funds. To qualify for the deferral, the investment fund needs to meet certain attributes of an investment company, does not have explicit or implicit obligations to fund losses of the entity and is not a securitization entity, an asset-backed financing entity, or an entity formerly considered a qualifying special-purpose entity (QSPE). The Company's investment funds meet the conditions in ASU No. 2010-10 and qualify for the deferral adoption. Therefore, the Company is not required to consolidate any of its investment funds which are VIEs until further guidance is issued.

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurement. ASU No. 2010-06 requires new disclosures regarding transfers of assets and liabilities measured at fair value in and out of Level 1 and 2 of the fair value hierarchy. A reporting entity should disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfer. ASU No. 2010-06 also provides additional guidance on the level of disaggregation of fair value measurements and disclosures regarding inputs and valuation techniques. The Company adopted this disclosure requirement in the three months ended March 31, 2010. In addition, ASU No. 2010-06 requires the reconciliation of beginning and ending balances for fair value measurements using significant unobservable inputs (i.e., Level 3) to be presented on a gross basis. The Company adopted this requirement in the period ending March 31, 2011. See note 5 for further information.

Recently Issued

In April 2011, the FASB issued ASU No. 2011-03, Transfers and Servicing: Reconsideration of Effective Control for Repurchase Agreements, which removes the requirement to consider whether sufficient collateral is held when determining whether to account for repurchase agreements and other agreements that both entitle and obligate the transferor to repurchase or redeem financial assets before their maturity as sales or as secured financings. The guidance is effective prospectively for transactions beginning on January 1, 2012. We do not believe that the adoption of this guidance will have an impact on our financial condition, results of operations or cash flows.

In May 2011, the FASB issued ASU No. 2011-04, Fair Value Measurement: Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS, which provides clarifying guidance on how to measure fair value and has additional disclosure requirements. The amendments prohibit the use of blockage factors at all levels of the fair value hierarchy and provide guidance on measuring financial instruments that are managed on a net portfolio basis. Additional disclosure requirements include transfers between Levels 1 and 2 and, for Level 3 fair value measurements, a description of our valuation processes and additional information about unobservable inputs impacting Level 3 measurements. The updates are effective for the reporting period ending December 31, 2011. We are currently evaluating the impact, if any, that these updates will have on our financial condition, results of operations and cash flows.

Table of Contents

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*, requiring entities to present items of net income and other comprehensive income either in one continuous statement (referred to as the statement of comprehensive income) or in two separate, but consecutive, statements of net income and other comprehensive income. The Company will adopt this requirement in the period ending December 31, 2011.

3. Earnings per share

Earnings per share was computed by dividing net profit attributable to Oppenheimer Holdings Inc. by the weighted average number of shares of Class A non-voting common stock (*Class A Stock*) and Class B voting common stock (*Class B Stock*) outstanding. Diluted earnings per share includes the weighted average Class A and Class B Stock outstanding and the effects of warrants issued and Class A Stock granted under share-based compensation arrangements using the treasury stock method, if dilutive.

Earnings per share has been calculated as follows:

Expressed in thousands of dollars, except share and per share amounts

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Basic weighted average number of shares outstanding	13,658,720	13,349,551	13,605,020	13,323,410
Net dilutive effect of warrant, treasury method (1)				
Net dilutive effect of share-based awards, treasury method (2)	278,655	549,816	324,500	567,451
Diluted weighted average number of shares outstanding	13,937,375	13,899,367	13,929,521	13,890,861
Net profit for the period	\$ 438	\$ 9,862	\$ 6,199	\$ 19,226
Net profit attributable to non-controlling interests	747	660	1,422	856
Net profit (loss) attributable to Oppenheimer Holdings Inc.	\$ (309)	\$ 9,202	\$ 4,777	\$ 18,370
Basic profit (loss) per share	\$ (0.02)	\$ 0.69	\$ 0.35	\$ 1.38
Diluted profit (loss) per share	\$ (0.02)	\$ 0.66	\$ 0.34	\$ 1.32

- (1) As part of the consideration for the 2008 acquisition of a portion of CIBC World Markets Corp.'s U.S. capital markets businesses, the Company issued a warrant to purchase 1 million shares of Class A Stock of the Company at \$48.62 per share exercisable five years from the January 14, 2008 acquisition date. For the three and six months ended June 30, 2011 and 2010, the effect of the warrant is anti-dilutive.
- (2) For the three and six months ended June 30, 2011, the diluted earnings per share computations do not include the anti-dilutive effect of 1,139,695 and 1,142,028 shares of Class A Stock granted under share-based compensation arrangements together with the warrant described in (1) (1,273,416 shares of Class A Stock for both the three and six months ended June 30, 2010).

Table of Contents**4. Receivable from and payable to brokers and clearing organizations**

Expressed in thousands of dollars.

	June 30, 2011	December 31, 2010
Receivable from brokers and clearing organizations consist of:		
Deposits paid for securities borrowed	\$ 244,288	\$ 199,117
Receivable from brokers	33,959	20,609
Securities failed to deliver	27,348	23,673
Clearing organizations	37,442	11,038
Omnibus accounts	16,472	19,129
Other	395	29,278
	\$ 359,904	\$ 302,844
	June 30, 2011	December 31, 2010
Payable to brokers and clearing organizations consist of:		
Deposits received for securities loaned	\$ 309,915	\$ 345,462
Securities failed to receive	29,216	24,944
Clearing organizations and other	56,149	2,291
	\$ 395,280	\$ 372,697

5. Financial instruments

Securities owned and securities sold but not yet purchased, investments and derivative contracts are carried at fair value with changes in fair value recognized in earnings each period. The Company's other financial instruments are generally short-term in nature or have variable interest rates and as such their carrying values approximate fair value, with the exception of notes receivable from employees which are carried at cost.

Table of Contents**Securities Owned and Securities Sold, But Not Yet Purchased at Fair Value**

Expressed in thousands of dollars.

	June 30, 2011		December 31, 2010	
	Owned	Sold	Owned	Sold
U.S. Treasury, agency and sovereign obligations	\$ 790,260	\$ 119,976	\$ 160,114	\$ 105,564
Corporate debt and other obligations	21,899	10,986	32,204	6,788
Mortgage and other asset-backed securities	3,550	19	2,895	25
Municipal obligations	83,881	536	55,089	383
Convertible bonds	46,783	7,513	39,015	11,093
Corporate equities	37,110	42,414	39,151	36,164
Other	64,145	30	38,551	35
Total	\$ 1,047,628	\$ 181,474	\$ 367,019	\$ 160,052

Securities owned and securities sold, but not yet purchased, consist of trading and investment securities at fair values. Included in securities owned at June 30, 2011 are corporate equities with estimated fair values of approximately \$14.9 million (\$14.3 million at December 31, 2010), which are related to deferred compensation liabilities to certain employees included in accrued compensation on the condensed consolidated balance sheet.

Valuation Techniques

A description of the valuation techniques applied and inputs used in measuring the fair value of the Company's financial instruments is as follows:

U.S. Treasury Obligations

U.S. Treasury securities are valued using quoted market prices obtained from active market makers and inter-dealer brokers and, accordingly, are categorized in Level 1 in the fair value hierarchy.

U.S. Agency Obligations

U.S. agency securities consist of agency issued debt securities and mortgage pass-through securities. Non-callable agency issued debt securities are generally valued using quoted market prices. Callable agency issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The fair value of mortgage pass-through securities are model driven with respect to spreads of the comparable To-be-announced (TBA) security. Actively traded non-callable agency issued debt securities are categorized in Level 1 of the fair value hierarchy. Callable agency issued debt securities and mortgage pass-through securities are generally categorized in Level 2 of the fair value hierarchy.

Sovereign Obligations

The fair value of sovereign obligations is determined based on quoted market prices when available or a valuation model that generally utilizes interest rate yield curves and credit spreads as inputs. Sovereign obligations are categorized in Level 1 or 2 of the fair value hierarchy.

Corporate Debt & Other Obligations

The fair value of corporate bonds is estimated using recent transactions, broker quotations and bond spread information. Corporate bonds are generally categorized in Level 2 of the fair value hierarchy.

Table of Contents

Mortgage and Other Asset-Backed Securities

The Company holds non-agency securities primarily collateralized by home equity and manufactured housing which are valued based on external pricing and spread data provided by independent pricing services and are generally categorized in Level 2 of the fair value hierarchy. When specific external pricing is not observable, the valuation is based on yields and spreads for comparable bonds and, consequently, the positions are categorized in Level 3 of the fair value hierarchy.

Municipal Obligations

The fair value of municipal obligations is estimated using recently executed transactions, broker quotations, and bond spread information. These obligations are generally categorized in Level 2 of the fair value hierarchy; in instances where significant inputs are unobservable, they are categorized in Level 3 of the hierarchy.

Convertible Bonds

The fair value of convertible bonds is estimated using recently executed transactions and dollar-neutral price quotations, where observable. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves and bond spreads as key inputs. Convertible bonds are generally categorized in Level 2 of the fair value hierarchy; in instances where significant inputs are unobservable, they are categorized in Level 3 of the hierarchy.

Corporate Equities

Equity securities and options are generally valued based on quoted prices from the exchange or market where traded and categorized as Level 1 in the fair value hierarchy. To the extent quoted prices are not available, prices are generally derived using bid/ask spreads, and these securities are generally categorized in Level 2 of the fair value hierarchy.

Other

In February 2010, Oppenheimer finalized settlements with each of the New York Attorney General's office (NYAG) and the Massachusetts Securities Division (MSD) and, together with the NYAG, the Regulators) concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of auction rate securities (ARS). Pursuant to those settlements, as at June 30, 2011, the Company had purchased approximately \$67.3 million in ARS from its clients pursuant to several purchase offers and expects to purchase at least an additional \$6.0 million of ARS from its clients under the current client purchase offer. The Company's purchases of ARS from its clients will continue on a periodic basis thereafter pursuant to the settlements with the Regulators. In addition, the Company is committed to purchase another \$49.0 million in ARS as a result of legal settlements with clients. The ultimate amount of ARS to be repurchased by the Company cannot be predicted with any certainty and will be impacted by redemptions by issuers and client actions during the period, which cannot be predicted. In addition to the ARS purchases from clients of \$67.3 million as of June 30, 2011 referred to above, the Company also held \$2.1 million in ARS in its proprietary trading account as of June 30, 2011 as a result of the failed auctions in February 2008. These ARS positions primarily represent Auction Rate Preferred Securities issued by closed-end funds and, to a lesser extent, Municipal Auction Rate Securities which are municipal bonds wrapped by municipal bond insurance and Student Loan Auction Rate Securities which are asset-backed securities backed by student loans (collectively referred to as ARS).

Table of Contents

Interest rates on ARS typically reset through periodic auctions. Due to the auction mechanism and generally liquid markets, ARS have historically been categorized as Level 1 in the fair value hierarchy. Beginning in February 2008, uncertainties in the credit markets resulted in substantially all of the ARS market experiencing failed auctions. Once the auctions failed, the ARS could no longer be valued using observable prices set in the auctions. The Company has used less observable determinants of the fair value of ARS, including the strength in the underlying credits, announced issuer redemptions, completed issuer redemptions, and announcements from issuers regarding their intentions with respect to their outstanding ARS. The Company has also developed an internal methodology to discount for the lack of liquidity and non-performance risk of the failed auctions. Key inputs include spreads on comparable Treasury yields to derive a discount rate, an estimate of the ARS duration, and yields based on current auctions in comparable securities that have not failed. Due to the less observable nature of these inputs, the Company categorizes ARS in Level 3 of the fair value hierarchy. As of June 30, 2011, the Company had a valuation adjustment (unrealized loss) of \$4.9 million for ARS.

Investments

In its role as general partner in certain hedge funds and private equity funds, the Company, through its subsidiaries, holds direct investments in such funds. The Company uses the net asset value of the underlying fund as a basis for estimating the fair value of its investment. Due to the illiquid nature of these investments and difficulties in obtaining observable inputs, these investments are included in Level 3 of the fair value hierarchy.

The following table provides information about the Company's investments in Company-sponsored funds at June 30, 2011.

Expressed in thousands of dollars.

	Fair Value	Unfunded Commit- ments	Redemption Frequency	Redemption Notice Period
Hedge Funds ⁽¹⁾	\$ 1,293	\$	Quarterly - Annually	30 - 120 Days
Private Equity Funds ⁽²⁾	2,488	4,685	N/A	N/A
Distressed Opportunities Fund ⁽³⁾	10,991		Semi-Annually	180 Days
Total	\$ 14,772	\$ 4,685		

(1) Includes investments in hedge funds and hedge fund of funds that pursue long/short, event-driven, and activist strategies.

(2) Includes private equity funds and private equity fund of funds with a focus on diversified portfolios, real estate and global natural resources.

(3) Hedge fund that invests in distressed debt of U.S. companies.

Derivative Contracts

From time to time, the Company transacts in exchange-traded and over-the-counter derivative transactions to manage its interest rate risk. Exchange-traded derivatives, namely U.S. Treasury futures, Federal funds futures, and Eurodollar futures, are valued based on quoted prices from the exchange and are categorized in Level 1 of the fair value hierarchy. Over-the-counter derivatives, namely interest rate swap and interest rate cap contracts, are valued using a discounted cash flow model and the Black-Scholes model, respectively, using observable interest rate inputs and are categorized in Level 2 of the fair value hierarchy.

Table of Contents

As described below in **Credit Concentrations**, the Company participates in loan syndications and operates as underwriting agent in leveraged financing transactions where it utilizes a warehouse facility provided by Canadian Imperial Bank of Commerce (**CIBC**) to extend financing commitments to third-party borrowers identified by the Company. The Company uses broker quotations on loans trading in the secondary market as a proxy to determine the fair value of the underlying loan commitment which is categorized in Level 3 of the fair value hierarchy. The Company also purchases and sells loans in its proprietary trading book where CIBC provides the financing through a loan trading facility. The Company uses broker quotations to determine the fair value of loan positions held which are categorized in Level 2 of the fair value hierarchy.

The Company from time to time enters into securities financing transactions that mature on the same date as the underlying collateral. Such transactions are treated as a sale of financial assets and a forward repurchase commitment, or conversely as a purchase of financial assets and a forward resale commitment. The forward repurchase and resale commitments are valued based on the spread between the market value of the government security and the underlying collateral and are categorized in Level 2 of the fair value hierarchy.

Fair Value Measurements

The Company's assets and liabilities, recorded at fair value on a recurring basis as of June 30, 2011 and December 31, 2010, have been categorized based upon the above fair value hierarchy as follows:

Assets and liabilities measured at fair value on a recurring basis as of June 30, 2011:

Expressed in thousands of dollars.

	Fair Value Measurements As of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	\$ 53,732	\$	\$	\$ 53,732
Securities segregated for regulatory and other purposes	14,500			14,500
Deposits with clearing organizations	9,095			9,095
Securities owned:				
U.S. Treasury obligations	710,488			710,488
U.S. Agency obligations	39,859	39,913		79,772
Corporate debt and other obligations		21,899		21,899
Mortgage and other asset-backed securities		3,445	105	3,550
Municipal obligations		80,052	3,829	83,881
Convertible bonds		46,783		46,783
Corporate equities	27,692	9,418		37,110
Other	1,047		63,098	64,145
Securities owned, at fair value	779,086	201,510	67,032	1,047,628
Investments (1)	981	36,292	16,141	53,414
Derivative contracts (2)		3,822		3,822
Securities purchased under agreements to resell (3)		556,916		556,916
Total	\$ 857,394	\$ 798,540	\$ 83,173	\$ 1,739,107

Table of Contents

Expressed in thousands of dollars.

	Fair Value Measurements As of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Securities sold, but not yet purchased:				
U.S. Treasury obligations	\$ 119,903	\$	\$	\$ 119,903
U.S. Agency obligations		73		73
Corporate debt and other obligations		10,986		10,986
Mortgage and other asset-backed securities		8	11	19
Municipal obligations		536		536
Convertible bonds		7,513		7,513
Corporate equities	22,158	20,256		42,414
Other	30			30
Securities sold, but not yet purchased	142,091	39,372	11	181,474
Investments	32			32
Derivative contracts (2)	244	2,652		2,896
Total	\$ 142,367	\$ 42,024	\$ 11	\$ 184,402

(1) Included in other assets on the condensed consolidated balance sheet.

(2) Primarily represents the fair value of To-Be-Announced securities (TBAs). See Derivatives used for trading and investment purposes below.

(3) Includes securities purchased under agreements to resell where the Company has elected the fair value option.

Table of Contents**Assets and liabilities measured at fair value on a recurring basis as of December 31, 2010:**

Expressed in thousands of dollars.

	Fair Value Measurements As of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Assets:				
Cash equivalents	\$ 14,384	\$	\$	\$ 14,384
Securities segregated for regulatory and other purposes	14,497			14,497
Deposits with clearing organizations	9,094			9,094
Securities owned:				
U.S. Treasury obligations	115,790			115,790
U.S. Agency obligations	23,963	20,348		44,311
Sovereign obligations	13			13
Corporate debt and other obligations		32,204		32,204
Mortgage and other asset-backed securities		2,881	14	2,895
Municipal obligations		53,302	1,787	55,089
Convertible bonds		39,015		39,015
Corporate equities	31,798	7,353		39,151
Other	2,643		35,908	38,551
Securities owned, at fair value	174,207	155,103	37,709	367,019
Investments (1)	12,522	34,563	17,208	64,293
Derivative contracts (2)		26,067		26,067
Securities purchased under agreement to resell (3)		332,179		332,179
Total	\$ 224,704	\$ 547,912	\$ 54,917	\$ 827,533

Table of Contents

Expressed in thousands of dollars.

	Fair Value Measurements As of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Liabilities:				
Securities sold, but not yet purchased:				
U.S. Treasury obligations	\$ 101,060	\$	\$	\$ 101,060
U.S. Agency obligations	4,405	99		4,504
Sovereign obligations				
Corporate debt and other obligations		6,788		6,788
Mortgage and other asset-backed securities		25		25
Municipal obligations		383		383
Convertible bonds		11,093		11,093
Corporate equities	20,962	15,202		36,164
Other	35			35
Securities sold, but not yet purchased, at fair value	126,462	33,590		160,052
Investments	12			12
Derivative contracts (2)	147	178		325
Securities sold under agreements to repurchase (3)		389,305		389,305
Total	\$ 126,621	\$ 423,073	\$	\$ 549,694

(1) Included in other assets on the consolidated balance sheet.

(2) Primarily represents the fair value of TBAs. See Derivatives used for trading and investment purposes below.

(3) Includes securities purchased under agreements to resell and securities sold under agreements to repurchase where the company has elected the fair value option.

There were no significant transfers between Level 1 and Level 2 assets and liabilities in the three and six months ended June 30, 2011.

Table of Contents

The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ending June 30, 2011 and 2010.

Expressed in thousands of dollars.

	Opening Balance	Realized Gains (Losses) (4)	Unrealiz- ed Gains (Losses) (4) (5)	Purch- ases, Issu- ances	Sales, Settle- ments	Trans- fers In / Out	Ending Bal- ance
For the three months ended June 30, 2011							
<i>Assets:</i>							
Mortgage and other asset-backed securities (1)	\$		3	102			\$ 105
Municipal obligations	2,165		(43)	1,882	(175)		3,829
Other (2)	36,582		1,966	27,575	(3,025)		63,098
Investments (3)	17,308		1	426	(1,607)	13	16,141
<i>Liabilities:</i>							
Mortgage and other asset-backed securities (1)	\$				11		\$ 11

	Opening Balance	Realized Gains (Losses) (4)	Unrealiz- ed Gains (Losses) (4) (5)	Purchases, Sales, Issuances, Settlements	Trans- fers In / Out	Ending Balance
For the three months ended June 30, 2010						
<i>Assets:</i>						
Mortgage and other asset-backed securities (1)	\$ 380	8	8	(53)	(301)	\$ 42
Municipal obligations	975		(157)	1,035		1,853
Other (2)	4,450		(355)	16,775		20,870
Investments (3)	16,890		(308)	348		16,930
<i>Liabilities:</i>						
none						

(1) Represents private placements of non-agency collateralized mortgage obligations.

(2) Represents auction rate preferred securities that failed in the auction rate market.

(3) Primarily represents general partner ownership interests in hedge funds and private equity funds sponsored by the Company.

(4) Included in principal transactions on the condensed consolidated statement of operations, except for investments which are included in other income on the condensed consolidated statement of operations.

(5) Unrealized gains (losses) are attributable to assets or liabilities that are still held at the reporting date.

Table of Contents

The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ending June 30, 2011 and 2010.

Expressed in thousands of dollars.

	Opening Balance	Realized Gains (Losses) (4)	Unrealiz- ed Gains (Losses) (4) (5)	Purch- ases, Issu- ances	Sales, Settle- ments	Trans- fers In / Out	Ending Bal- ance
For the six months ended June 30, 2011							
<i>Assets:</i>							
Mortgage and other asset-backed securities (1)	\$ 14		3	102	(14)		\$ 105
Municipal obligations	1,787		(190)	2,407	(175)		3,829
Other (2)	35,909		(936)	34,150	(6,025)		63,098
Investments (3)	17,208		(1)	552	(1,607)	(11)	16,141
<i>Liabilities:</i>							
Mortgage and other asset-backed securities (1)	\$				11		\$ 11

	Opening Balance	Realized Gains (Losses) (4)	Unrealiz- ed Gains (Losses) (4) (5)	Purchases, Sales, Issuances, Settlements	Trans- fers In / Out	Ending Balance
For the six months ended June 30, 2010						
<i>Assets:</i>						
Mortgage and other asset-backed securities (1)	\$ 317	6	8	12	(301)	\$ 42
Municipal obligations	1,075	(4)	(315)	1,035	62	1,853
Other (2)	4,450		(355)	16,775		20,870
Investments (3)	15,981		326	403	220	16,930
<i>Liabilities:</i>						
none						

- (1) Represents private placements of non-agency collateralized mortgage obligations.
- (2) Represents auction rate preferred securities that failed in the auction rate market.
- (3) Primarily represents general partner ownership interests in hedge funds and private equity funds sponsored by the Company.
- (4) Included in principal transactions on the condensed consolidated statement of operations, except for investments which are included in other income on the condensed consolidated statement of operations.
- (5) Unrealized gains (losses) are attributable to assets or liabilities that are still held at the reporting date.

Table of Contents

Fair Value Option

The Company has the option to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The Company may make a fair value option election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument. The Company has elected to apply the fair value option to its loan trading portfolio which resides in OPY Credit Corp. and is included in other assets on the condensed consolidated balance sheet. Management has elected this treatment as it is consistent with the manner in which the business is managed as well as the way that financial instruments in other parts of the business are recorded. There were no loan positions held in the secondary loan trading portfolio at June 30, 2011 (None at December 31, 2010).

The Company also elected the fair value option for those securities sold under agreements to repurchase (repurchase agreements) and securities purchased under agreements to resell (resale agreements) that do not settle overnight or have an open settlement date or that are not accounted for as purchase and sale agreements (such as repo-to-maturity transactions). The Company has elected the fair value option for these instruments to more accurately reflect market and economic events in its earnings and to mitigate a potential imbalance in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. At June 30, 2011, the fair value of the resale agreement and repurchase agreements were \$556.9 million and \$nil, respectively. During the three and six months ended June 30, 2011, the amount of losses related to resale agreements was \$27,000 and \$6,000, respectively. During the three and six months ended June 30, 2011, the amount of gains/losses related to repurchase agreements was \$nil and \$nil, respectively.

Fair Value of Derivative Instruments

The Company transacts, on a limited basis, in exchange traded and over-the-counter derivatives for both asset and liability management as well as for trading and investment purposes. Risks managed using derivative instruments include interest rate risk and, to a lesser extent, foreign exchange risk. Interest rate swaps and interest rate caps are entered into to manage the Company's interest rate risk associated with floating-rate borrowings. All derivative instruments are measured at fair value and are recognized as either assets or liabilities on the consolidated balance sheet. The Company designates interest rate swaps and interest rate caps as cash flow hedges of floating-rate borrowings.

Cash flow hedges used for asset and liability management

For derivative instruments that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains or losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

On September 29, 2006, the Company entered into interest rate swap transactions to hedge the interest payments associated with its floating rate Senior Secured Credit Note, which is subject to change due to changes in 3-Month LIBOR. See note 6 for further information. These swaps have been designated as cash flow hedges. Changes in the fair value of the swap hedges are expected to be highly effective in offsetting changes in the interest payments due to changes in 3-Month LIBOR. For the three and six months ended June 30, 2011, the effective portion of the net gain on the interest rate swaps, after tax, was approximately \$nil and \$69,000, respectively (\$73,000 and \$330,000, respectively, for the three and six months ended June 30, 2010) and has been recorded as other comprehensive income on the condensed consolidated statement of comprehensive income (loss). The swaps expired on March 31, 2011.

Table of Contents

On January 20, 2009, the Company entered into an interest rate cap contract, incorporating a series of purchased caplets with fixed maturity dates ending December 31, 2012, to hedge the interest payments associated with its floating rate Subordinated Note, which is subject to changes in 3-Month LIBOR. See note 6 for further information. With the repayment of the Subordinated Note in the second quarter of 2011, this cap is no longer designated as a cash flow hedge. The loss of \$1.3 million related to this hedge that was previously included in other comprehensive income (loss) was reversed and included in interest expense in the condensed consolidated statement of operations in the second quarter of 2011.

Foreign exchange hedges

From time to time, the Company also utilizes forward and options contracts to hedge the foreign currency risk associated with compensation obligations to Oppenheimer Israel (OPCO) Ltd. employees denominated in New Israeli Shekels. Such hedges have not been designated as accounting hedges. At June 30, 2011, the Company did not have any such hedges in place.

Derivatives used for trading and investment purposes

Futures contracts represent commitments to purchase or sell securities or other commodities at a future date and at a specified price. Market risk exists with respect to these instruments. Notional or contractual amounts are used to express the volume of these transactions, and do not represent the amounts potentially subject to market risk. The futures contracts the Company used included U.S. Treasury notes, Federal Funds and Eurodollar contracts. At June 30, 2011, the Company had 240 open short contracts for 10-year U.S. Treasury notes with a fair value of \$244,000 used primarily as an economic hedge of interest rate risk associated with a portfolio of fixed income investments. At June 30, 2011, the Company had 5.2 billion open contracts for Federal Funds futures with a fair value of approximately \$245,000 and 224 million open contracts for Eurodollar futures with a fair value of \$13,000 both used as economic hedges of interest rate risk associated with government trading activities.

The Company also transacts in pass-through mortgage-backed securities eligible to be sold in the To-Be-Announced or TBA market. TBAs provide for the forward or delayed delivery of the underlying instrument with settlement up to 180 days. The contractual or notional amounts related to these financial instruments reflect the volume of activity and do not reflect the amounts at risk. Unrealized gains and losses on TBAs are recorded in the condensed consolidated balance sheets in receivable from brokers and clearing organizations and payable to brokers and clearing organizations, respectively, and in the condensed consolidated statement of operations as principal transactions revenue. See Fair Value of Derivative Instruments tables below for TBAs outstanding at June 30, 2011.

From time-to-time, the Company enters into securities financing transactions that mature on the same date as the underlying collateral. These transactions are treated as a sale of financial assets and a forward repurchase commitment, or conversely as a purchase of financial assets and a forward resale commitment. At June 30, 2011, the fair value of the forward repurchase commitment was approximately \$354,000.

Table of Contents

The notional amounts and fair values of the Company's derivatives at June 30, 2011 by product were as follows:
Expressed in thousands of dollars.

Fair Value of Derivative Instruments
As of June 30, 2011

	Description	Notional	Fair Value
Assets:			
Derivatives designated as hedging instruments ⁽¹⁾			
Interest rate contracts	Cap	\$ 100,000	\$ 34
Derivatives not designated as hedging instruments ⁽¹⁾			
Commodity contracts	Eurodollar Futures	9,000	
Other contracts	TBAs	361,450	3,788
		370,450	3,788
Total Assets		\$ 470,450	\$ 3,822
Liabilities:			
Derivatives not designated as hedging instruments ⁽¹⁾			
Commodity contracts	U.S Treasury Futures	\$ 24,000	\$ 244
	Federal Funds Futures	5,220,000	245
	Eurodollar Futures	224,000	13
Other contracts	TBAs	11,072	98
	Forward Purchase Commitment ⁽²⁾	500,000	354
	Auction rate securities purchase commitment	45,843	1,941
Total Liabilities		\$ 6,024,916	\$ 2,896

(1) See Fair Value of Derivative Instruments below for description of derivative financial instruments.

(2) Forward commitment to repurchase government securities that received sale treatment related to Repo-to-Maturity transactions.

Table of Contents

Expressed in thousands of dollars.

**Fair Value of Derivative Instruments
As of December 31, 2010**

	Description	Notional	Fair Value
Assets:			
Derivatives designated as hedging instruments ⁽¹⁾			
Interest rate contracts	Cap	\$ 100,000	\$ 178
Derivatives not designated as hedging instruments ⁽¹⁾			
Other contracts	TBAs	516,987	25,889
Total Assets		\$ 616,987	\$ 26,067
Liabilities:			
Derivatives designated as hedging instruments ⁽¹⁾			
Interest rate contracts	Swaps	\$ 9,000	\$ 116
Derivatives not designated as hedging instruments ⁽¹⁾			
Commodity contracts	U.S Treasury Futures	14,000	147
Other contracts	TBAs	2,000	26
	Forward Purchase Commitment ⁽²⁾	3,250,000	35
Sub-total		3,266,000	209
Total Liabilities		\$ 3,275,000	\$ 325

(1) See Fair Value of Derivative Instruments above for description of derivative financial instruments.

(2) Forward commitment to repurchase government securities that received sale treatment related to Repo-to-Maturity transactions.

Table of Contents

The following table presents the location and fair value amounts of the Company's derivative instruments and their effect on the statement of operations for the three months ended June 30, 2011.

Expressed in thousands of dollars.

				Recognized in Other Comprehensive Income on Derivatives - Effective Portion (after-tax) Gain/ (Loss)	Reclassified from Accumulated Other Comprehensive Income into Income-Effective Portion ⁽²⁾ (after-tax) Gain/ (Loss)	
Hedging Relationship	Description	Location	Recognized in Income on Derivatives (pre-tax) Gain/ (Loss)			
<i>Cash Flow Hedges used for asset and liability management:</i>						
Interest rate contracts	Caps ⁽³⁾	N/A	\$ (1,950)	\$	Interest expense	\$ (1,233)
	Swaps	N/A			Interest expense	61
<i>Derivatives used for trading and investment ⁽¹⁾:</i>						
Commodity contracts	U.S Treasury Futures	Principal transaction revenue	(1,136)		None	
	Federal Funds Futures	Principal transaction revenue	(221)		None	
	Euro-dollar Futures	Principal transaction revenue	(333)		None	
	Euro FX	Principal transaction revenue	(37)		None	
Other contracts	TBAs	Principal transaction revenue	3,391		None	
	Forward purchase commitment ⁽⁴⁾	Principal transaction revenue	114		None	
	Auction rate securities purchase commitment	Principal transaction revenue	(1,941)		None	

Total	\$	(2,113)	\$	(1,172)
--------------	----	---------	----	---------

- (1) See Fair Value of Derivative Instruments above for description of derivative financial instruments.
- (2) There is no ineffective portion included in income for the three months ended June 30, 2011.
- (3) As noted above in Cash flow hedges used for asset and liability management , interest rate caps are used to hedge interest rate risk associated with the Subordinated Note. With the repayment of the Subordinated Note in the second quarter of 2011, this cap is no longer designated as a cash flow hedge and, as a result, a loss of \$1.6 million has been reclassified from other comprehensive income (loss) to other expenses on the condensed consolidated statement of operations.
- (4) Forward commitment to repurchase government securities that received sale treatment related to Repo-to-Maturity transactions.

Table of Contents

The following table presents the location and fair value amounts of the Company's derivative instruments and their effect on the statement of operations for the six months ended June 30, 2011.

Expressed in thousands of dollars.

				Recognized in Other Comprehensive Income on Derivatives - Effective Portion (after-tax) Gain/ (Loss)	Reclassified from Accumulated Other Comprehensive Income into Income-Effective Portion ⁽²⁾ (after-tax) Gain/ (Loss)	
Hedging Relationship	Description	Location	Recognized in Income on Derivatives (pre-tax) Gain/ (Loss)		Location	
<i>Cash Flow Hedges used for asset and liability management:</i>						
Interest rate contracts	Swaps	N/A	\$	\$	Interest expense	\$ (50)
	Caps ⁽³⁾	N/A	(1,950)		Interest expense	(1,272)
<i>Derivatives used for trading and investment ⁽¹⁾:</i>						
Commodity contracts	U.S Treasury Futures	Principal transaction revenue	(1,180)		None	
	Federal Funds Futures	Principal transaction revenue	(250)		None	
	Euro-dollar Futures	Principal transaction revenue	(410)		None	
	Euro FX	Principal transaction revenue	(131)		None	
Other contracts	TBAs	Principal transaction revenue	4,645		None	
	Forward purchase commitment ⁽⁴⁾	Principal transaction revenue	(784)		None	
	Auction rate securities purchase commitment	Principal transaction revenue	(1,941)		None	

Total	\$	(2,001)	\$	(1,322)
--------------	----	---------	----	---------

Table of Contents

- (1) See Fair Value of Derivative Instruments above for description of derivative financial instruments.
- (2) There is no ineffective portion included in income for the six months ended June 30, 2011.
- (3) As noted above in Cash flow hedges used for asset and liability management, interest rate caps are used to hedge interest rate risk associated with the Subordinated Note. With the repayment of the Subordinated Note in the second quarter of 2011, this cap is no longer designated as a cash flow hedge and, as a result, a loss of \$1.3 million, net of tax, has been reclassified from other comprehensive income (loss) to other expenses on the condensed consolidated statement of operations.
- (4) Forward commitment to repurchase government securities that received sale treatment related to Repo-to-Maturity transactions.

Collateralized Transactions

The Company enters into collateralized borrowing and lending transactions in order to meet customers' needs and earn residual interest rate spreads, obtain securities for settlement and finance trading inventory positions. Under these transactions, the Company either receives or provides collateral, including U.S. government and agency, asset-backed, corporate debt, equity, and non-U.S. government and agency securities.

The Company obtains short-term borrowings primarily through bank call loans. Bank call loans are generally payable on demand and bear interest at various rates but not exceeding the broker call rate. At June 30, 2011, bank call loans were \$159.0 million (\$147.0 million at December 31, 2010).

At June 30, 2011, the Company had collateralized loans, collateralized by firm and customer securities with market values of approximately \$106.9 million and \$268.3 million, respectively, at June 30, 2011, are primarily with two U.S. money center banks. At June 30, 2011, the Company had approximately \$1.3 billion of customer securities under customer margin loans that are available to be pledged, of which the Company has repledged approximately \$286.0 million under securities loan agreements.

At June 30, 2011, the Company had deposited \$220.2 million of customer securities directly with the Options Clearing Corporation to secure obligations and margin requirements under option contracts written by customers.

At June 30, 2011, the Company had no outstanding letters of credit.

The Company finances its government trading operations through the use of repurchase agreements and resale agreements. Except as described below, repurchase and resale agreements, principally involving government and agency securities, are carried at amounts at which securities subsequently will be resold or reacquired as specified in the respective agreements and include accrued interest. Repurchase and resale agreements are presented on a net-by-counterparty basis, when the repurchase and resale agreements are executed with the same counterparty, have the same explicit settlement date, are executed in accordance with a master netting arrangement, the securities underlying the repurchase and resale agreements exist in book entry form and certain other requirements are met.

Certain of the Company's repurchase agreements and resale agreements are carried at fair value as a result of the Company's fair value option election. The Company elected the fair value option for those repurchase agreements and resale agreements that do not settle overnight or have an open settlement date or that are not accounted for as purchase and sale agreements (such as repo-to-maturity transactions described above). The Company has elected the fair value option for these instruments to more accurately reflect market and economic events in its earnings and to mitigate a potential imbalance in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. At June 30, 2011, the fair value of the resale agreement and repurchase agreements were \$556.9 million and \$nil, respectively. During the three and six months ended June 30, 2011, the amount of losses related to resale agreements was \$27,000 and \$6,000, respectively. During the three and six months ended June 30, 2011, the amount of gains/losses related to repurchase agreements was \$nil and \$nil, respectively.

Table of Contents

At June 30, 2011, the gross balances of resale agreements and repurchase agreements were \$7.7 billion and \$8.2 billion, respectively (\$4.0 billion and \$4.1 billion, respectively at December 31, 2010).

The Company receives collateral in connection with securities borrowed and resale agreement transactions and customer margin loans. Under many agreements, the Company is permitted to sell or repledge the securities received (e.g., use the securities to enter into securities lending transactions, or deliver to counterparties to cover short positions). At June 30, 2011, the fair value of securities received as collateral under securities borrowed transactions and resale agreements was \$239.8 million (\$192.1 million at December 31, 2010) and \$7.7 billion (\$3.9 billion at December 31, 2010), respectively, of which the Company has re-pledged approximately \$15.7 million (\$47.3 million at December 31, 2010) under securities loaned transactions and \$7.7 billion under repurchase agreements (\$3.9 billion at December 31, 2010).

The Company pledges certain of its securities owned for securities lending and repurchase agreements and to collateralize bank call loan transactions. The carrying value of pledged securities owned that can be sold or re-pledged by the counterparty was \$680.2 million, as presented on the face of the condensed consolidated balance sheet at June 30, 2011 (\$102.5 million at December 31, 2010). The carrying value of securities owned by the Company that have been loaned or pledged to counterparties where those counterparties do not have the right to sell or re-pledge the collateral was \$145.6 million as at June 30, 2011 (\$149.9 million at December 31, 2010).

The Company manages credit exposure arising from repurchase and resale agreements by, in appropriate circumstances, entering into master netting agreements and collateral arrangements with counterparties that provide the Company, in the event of a customer default, the right to liquidate and the right to offset a counterparty's rights and obligations. The Company also monitors the market value of collateral held and the market value of securities receivable from others. It is the Company's policy to request and obtain additional collateral when exposure to loss exists. In the event the counterparty is unable to meet its contractual obligation to return the securities, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices.

One of the Company's funds in which a subsidiary of the Company acts as a general partner and also owns a limited partnership interest utilized Lehman Brothers International (Europe) as a prime broker. As of June 30, 2011, Lehman Brothers International (Europe) held securities with a fair value of \$9.1 million that were segregated and not re-hypothecated.

Credit Concentrations

Credit concentrations may arise from trading, investing, underwriting and financing activities and may be impacted by changes in economic, industry or political factors. In the normal course of business, the Company may be exposed to risk in the event customers, counterparties including other brokers and dealers, issuers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations. The Company seeks to mitigate these risks by actively monitoring exposures and obtaining collateral as deemed appropriate. Included in receivable from brokers and clearing organizations as of June 30, 2011 are receivables from three major U.S. broker-dealers totaling approximately \$133.0 million.

Table of Contents

The Company participates in loan syndications through its Debt Capital Markets business. Through OPY Credit Corp., the Company operates as underwriting agent in leveraged financing transactions where it utilizes a warehouse facility provided by CIBC to extend financing commitments to third-party borrowers identified by the Company. The Company has exposure, up to a maximum of 10%, of the excess underwriting commitment provided by CIBC over CIBC's targeted loan retention (defined as "Excess Retention"). The Company quantifies its Excess Retention exposure by assigning a fair value to the underlying loan commitment provided by CIBC (in excess of what CIBC has agreed to retain) which is based on the fair value of the loans trading in the secondary market. To the extent that the fair value of the loans has decreased, the Company records an unrealized loss on the Excess Retention. Underwriting of loans pursuant to the warehouse facility is subject to joint credit approval by the Company and CIBC. As of June 30, 2011, the maximum aggregate principal amount of the warehouse facility was \$1.5 billion, of which the Company utilized \$147.5 million (\$78.0 million as of December 31, 2010) and had \$nil in Excess Retention (\$nil as of December 31, 2010).

The Company is obligated to settle transactions with brokers and other financial institutions even if its clients fail to meet their obligations to the Company. Clients are required to complete their transactions on settlement date, generally one to three business days after trade date. If clients do not fulfill their contractual obligations, the Company may incur losses. The Company has clearing/participating arrangements with the National Securities Clearing Corporation ("NSCC"), the Fixed Income Clearing Corporation ("FICC"), R.J. O'Brien & Associates (commodities transactions) and others. With respect to its business in resale and repurchase agreements, substantially all open contracts at June 30, 2011 are with the FICC. In addition, the Company recently began clearing its non-U.S. international equities business carried on through Oppenheimer Europe through BNP Paribas Securities Services. The clearing corporations have the right to charge the Company for losses that result from a client's failure to fulfill its contractual obligations. Accordingly, the Company has credit exposures with these clearing brokers. The clearing brokers can re-hypothecate the securities held on behalf of the Company. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing brokers, the Company believes there is no maximum amount assignable to this right. At June 30, 2011, the Company had recorded no liabilities with regard to this right. The Company's policy is to monitor the credit standing of the clearing brokers and banks with which it conducts business.

Through its Debt Capital Markets business, the Company also participates, with other members of loan syndications, in providing financing commitments under revolving credit facilities in leveraged financing transactions. As of June 30, 2011, the Company had \$6.7 million committed under such financing arrangements.

OMHMF, which is engaged in mortgage brokerage and servicing, has obtained an uncommitted warehouse facility line through PNC Bank ("PNC") under which OMHMF pledges Federal Housing Administration ("FHA") guaranteed mortgages for a period of up to 10 business days and PNC table funds the principal payment to the mortgagee. OMHMF repays PNC upon the securitization of the mortgage by the Government National Mortgage Association ("GNMA") and the delivery of the security to the counter party for payment pursuant to a contemporaneous sale on the date the mortgage is funded. At June 30, 2011, OMHMF had \$14.5 million outstanding under the warehouse facility line at a variable interest rate of 1 month LIBOR plus 2.75%. Interest expense for the three and six months ended June 30, 2011 was \$835,000 and \$1.2 million, respectively.

Table of Contents**Variable Interest Entities (VIEs)**

VIEs are entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The primary beneficiary of a VIE is the party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both, as a result of holding variable interests. The enterprise that is considered the primary beneficiary of a VIE consolidates the VIE.

A subsidiary of the Company serves as general partner of hedge funds and private equity funds that were established for the purpose of providing investment alternatives to both its institutional and qualified retail clients. The Company holds variable interests in these funds as a result of its right to receive management and incentive fees. The Company's investment in and additional capital commitments to these hedge funds and private equity funds are also considered variable interests. The Company's additional capital commitments are subject to call at a later date and are limited in amount.

The Company assesses whether it is the primary beneficiary of the hedge funds and private equity funds in which it holds a variable interest in the context of the total general and limited partner interests held in these funds by all parties. In each instance, the Company has determined that it is not the primary beneficiary and therefore need not consolidate the hedge funds or private equity funds. The subsidiaries' general partnership interests, additional capital commitments, and management fees receivable represent its maximum exposure to loss. The subsidiaries' general partnership interests and management fees receivable are included in other assets on the condensed consolidated balance sheet.

The following tables set forth the total VIE assets, the carrying value of the subsidiaries' variable interests, and the Company's maximum exposure to loss in Company-sponsored non-consolidated VIEs in which the Company holds variable interests and other non-consolidated VIEs in which the Company holds variable interests as at June 30, 2011 and December 31, 2010:

As of June 30, 2011

Expressed in thousands of dollars.

	Total VIE Assets	Carrying Value of the Company's Variable Interest		Capital	Maximum Exposure to Loss in Non- consolidated VIEs
	(1)	Assets (2)	Liabilities	Commitments	
Hedge Funds	\$ 1,825,118	\$ 219	\$	\$	\$ 219
Private Equity Funds	139,775	24			24
Total	\$ 1,964,893	\$ 243	\$	\$	\$ 243

Table of Contents**As of December 31, 2010**

Expressed in thousands of dollars.

	Total VIE Assets	Carrying Value of the Company's Variable Interest		Capital Commitments	Maximum Exposure to Loss in Non- consolidated VIEs
	(1)	Assets (2)	Liabilities		
Hedge Funds	\$ 1,769,382	\$ 775	\$	\$	\$ 775
Private Equity Funds	157,196	22		5	27
Total	\$ 1,926,578	\$ 797	\$	\$ 5	\$ 802

(1) Represents the total assets of the VIEs and does not represent the Company's interests in the VIEs.

(2) Represents the Company's interests in the VIEs and is included in other assets on the condensed consolidated balance sheet.

6. Long-term debt

Expressed in thousands of dollars.

Issued	Maturity Date	Interest Rate at June 30, 2011	June 30, 2011	December 31, 2010
Senior Secured Notes (a)	4/15/2018	8.75%	\$ 200,000	\$
Senior Secured Credit Note (b)	7/31/2013*		\$	\$ 22,503
Subordinated Note (c)	1/31/2014*		\$	\$ 100,000

* Retired on April 12, 2011

(a) On April 12, 2011, the Company completed the private placement of \$200.0 million in aggregate principal amount of 8.75 percent Senior Secured Notes due April 15, 2018 at par (the "Notes"). The interest on the Notes is payable semi-annually on April 15th and October 15th. Proceeds from the private placement were used to retire the Senior Secured Credit Note due 2013 (\$22.4 million) and the Subordinated Note due 2014 (\$100.0 million) (together, the "Debt") and for other general corporate purposes. The private placement resulted in the fixing of the interest rate over the term of the Notes compared to the variable rate debt that was retired and an extension of the debt maturity dates as described above. The cost to issue the Notes was approximately \$4.5 million which has been capitalized during the three months ending June 30, 2011 and amortized over the period of the Notes. The Company has written off \$344,000 in unamortized debt issuance costs related to the Senior Secured Credit Note during the three months ending June 30, 2011. Additionally, as a result of the retirement of the Subordinated Note, the effective portion of the net loss of \$1.3 million related to the interest rate cap cash flow hedge has been reclassified from accumulated other comprehensive income (loss) on the condensed consolidated balance sheet to interest expense in the condensed consolidated statement of operations during the three months ending June 30, 2011.

The indenture for the Notes contains covenants which place restrictions on the incurrence of indebtedness, the payment of dividends, sale of assets, mergers and acquisitions and the granting of liens. The Notes provide for

events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. The Company's obligations under the Notes are guaranteed, subject to certain limitations, by the same subsidiaries that guaranteed the obligations under the Senior Secured Credit Note and the Subordinated Note which were retired. These guarantees may be shared, on a senior basis, under certain circumstances, with newly incurred debt outstanding in the future. At June 30, 2011, the Company was in compliance with all of its covenants.

Table of Contents

On July 12, 2011, the Company's Registration Statement on Form S-4, filed to register the exchange of the Notes for fully registered Notes, was declared effective by the SEC. The Exchange Offer is currently scheduled to expire on August 9, 2011.

- (b) In 2006, the Company issued a Senior Secured Credit Note in the amount of \$125.0 million at a variable interest rate based on LIBOR with a seven-year term to a syndicate led by Morgan Stanley Senior Funding Inc., as agent. In accordance with the Senior Secured Credit Note, the Company provided certain covenants to the lenders with respect to the maintenance of a minimum fixed charge ratio and maximum leverage ratio and minimum net capital requirements with respect to Oppenheimer.

The principal balance of the Senior Secured Credit Note in the amount of \$22.4 million was repaid in full on April 12, 2011 in connection with the issuance of the Senior Secured Note described in (a) above.

The effective interest rate on the Senior Secured Credit Note for the period outstanding in the three months ended June 30, 2011 was 4.88%. Interest expense, as well as interest paid on a cash basis for the three and six months ended June 30, 2011, on the Senior Secured Credit Note was \$35,000 and \$306,000, respectively (\$388,000 and \$775,000, respectively, in the three and six months ended June 30, 2010).

- (c) On January 14, 2008, in connection with the acquisition of certain businesses from CIBC World Markets Corp., CIBC made a loan in the amount of \$100.0 million and the Company issued a Subordinated Note to CIBC in the amount of \$100.0 million at a variable interest rate based on LIBOR. The purpose of this note was to support the capital requirements of the acquired business. In accordance with the Subordinated Note, the Company provided certain covenants to CIBC with respect to the maintenance of a minimum fixed charge ratio and maximum leverage ratio and minimum net capital requirements with respect to Oppenheimer.

The principal balance of the Subordinated Note in the amount of \$100.0 million was repaid in full on April 12, 2011 in connection with the issuance of the Senior Secured Notes described in (a) above.

The effective interest rate on the Subordinated Note for the period outstanding in three months ended June 30, 2011 was 5.55%. Interest expense, as well as interest paid on a cash basis for the three and six months ended June 30, 2011, on the Subordinated Note was \$185,000 and \$1.6 million, respectively (\$1.4 million and \$2.8 million for the three and six months ended June 30, 2010).

Table of Contents**7. Share capital**

The following table reflects changes in the number of shares of Class A Stock outstanding for the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Class A Stock outstanding, beginning of period	13,535,063	13,241,552	13,268,522	13,118,001
Issued pursuant to the share-based compensation plans	33,882	11,470	300,423	135,021
Class A Stock outstanding, end of period	13,568,945	13,253,022	13,568,945	13,253,022

8. Net capital requirements

The Company's U.S. broker dealer subsidiaries, Oppenheimer and Freedom, are subject to the uniform net capital requirements of the SEC under Rule 15c3-1 (the "Rule"). Oppenheimer computes its net capital requirements under the alternative method provided for in the Rule which requires that Oppenheimer maintain net capital equal to two percent of aggregate customer-related debit items, as defined in SEC Rule 15c3-3. At June 30, 2011, the net capital of Oppenheimer as calculated under the Rule was \$162.9 million or 13.2% of Oppenheimer's aggregate debit items. This was \$138.2 million in excess of the minimum required net capital at that date. Freedom computes its net capital requirement under the basic method provided for in the Rule, which requires that Freedom maintain net capital equal to the greater of \$250,000 or 6 2/3% of aggregate indebtedness, as defined. At June 30, 2011, Freedom had net capital of \$4.9 million, which was \$4.6 million in excess of the \$250,000 required to be maintained at that date.

At June 30, 2011, the regulatory capital of Oppenheimer Europe was \$4.2 million, which was \$1.9 million in excess of the \$2.3 million required to be maintained at that date. Oppenheimer Europe computes its regulatory capital pursuant to the Fixed Overhead Method prescribed by the Financial Services Authority of the United Kingdom.

At June 30, 2011, the regulatory capital of Oppenheimer Investments Asia Ltd. was \$1.6 million, which was \$1.3 million in excess of the \$385,000 required to be maintained on that date. Oppenheimer Investments Asia Ltd. computes its regulatory capital pursuant to the requirements of the Securities and Futures Commission in Hong Kong.

9. Related party transactions

The Company does not make loans to its officers and directors except under normal commercial terms pursuant to client margin account agreements. These loans are fully collateralized by employee-owned securities.

Table of Contents**10. Segment information**

The table below presents information about the reported revenue and profit before income taxes of the Company for the periods noted. The Company's segments are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. The Company has allocated all revenue and expenses to its segments and has eliminated the "Other" category. Previously reported segment information has been revised to reflect this change. The Company's business is conducted primarily in the United States with additional operations in the United Kingdom, Israel, Asia, and South America.

The table below presents information about the reported revenue and profit before income taxes of the Company for the three and six months ended June 30, 2011 and 2010. Asset information by reportable segment is not reported, since the Company does not produce such information for internal use. Substantially all assets are located in the United States.

Expressed in thousands of dollars.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
Revenue:				
Private Client (1)	\$ 136,092	\$ 138,684	\$ 283,157	\$ 277,019
Capital Markets	88,929	102,078	177,017	193,006
Asset Management (1)	19,497	16,237	37,761	33,146
Total	\$ 244,518	\$ 256,996	\$ 497,935	\$ 503,171
Profit before income taxes:				
Private Client (1)	\$ 741	\$ 3,552	\$ 4,139	\$ 10,329
Capital Markets	(4,077)	9,012	(2,712)	13,850
Asset Management (1)	5,040	3,582	10,106	7,827
Total	\$ 1,704	\$ 16,146	\$ 11,533	\$ 32,006

(1) Asset management revenue is allocated 77.5% to the Private Client segment and 22.5% to the Asset Management segment.

Revenues, classified by the major geographic areas in which they were earned for the three and six months ended June 30, 2011 and 2010, were as follows:

Expressed in thousands of dollars.

	Three months ended June 30,		Six months ended June 30,	
	2011	2010	2011	2010
United States	\$ 232,272	\$ 242,099	\$ 471,562	\$ 476,913
Europe / Middle East	6,554	8,010	14,787	14,291
Asia	3,246	4,895	6,385	8,165
South America	2,446	1,992	5,201	3,802
Total	\$ 244,518	\$ 256,996	\$ 497,935	\$ 503,171

The effective tax rate for the three-month period ended June 30, 2011 was negatively impacted by remeasurements of deferred tax assets arising from net operating losses related to the Company's Israeli subsidiary, resulting in tax expense of \$466,000, and from state net operating losses and gross timing differences, resulting in net tax expense of \$188,000.

Table of Contents

11. Subsequent events

On July 29, 2011, the Company announced a cash dividend of \$0.11 per share (totaling \$1.4 million) payable on August 26, 2011 to Class A and Class B Stockholders of record on August 12, 2011.

On July 15, 2011, the Company signed a lease to occupy seven floors at 85 Broad Street in New York City for a term of 15 years. The Company will occupy approximately 270,000 rentable square feet in the building. This lease represents a commitment of approximately \$186.0 million over the 15 year term.

On July 12, 2011, the Company's Registration Statement on Form S-4, filed to register the exchange of the Notes for fully registered Notes, was declared effective by the SEC. The Exchange Offer is currently scheduled to expire on August 9, 2011.

12. Supplemental Guarantor Condensed Consolidated Financial Statements

The Company's Senior Secured Notes are jointly and severally and fully and unconditionally guaranteed on a senior basis by E.A. Viner International Co. and Viner Finance Inc. (together, the Guarantors). Each of the Guarantors is 100% owned by the Company. The following condensed consolidating financial statements present the financial position, results of operations and cash flows of the Company (referred to as "Parent" for purposes of this note only), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and elimination entries necessary to consolidate the Company. Investments in subsidiaries are accounted for using the equity method for purposes of the consolidated presentation.

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATING BALANCE SHEET (unaudited)
 AS AT JUNE 30, 2011

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
ASSETS					
Cash and cash equivalents	\$ 748	\$ 49,472	\$ 59,341	\$	\$ 109,561
Cash and securities segregated for regulatory and other purposes			180,498		180,498
Deposits with clearing organizations			25,058		25,058
Receivable from brokers and clearing organizations		34	359,871	(1)	359,904
Receivable from customers, net of allowance for credit losses of \$2,430			923,666		923,666
Income taxes receivable	2,099	27,095	(702)	(25,337)	3,155
Securities purchased under agreement to resell			562,482		562,482
Securities owned, including amounts pledged of \$434,315, at fair value	12,000		1,035,628		1,047,628
Subordinated loan receivable		112,558		(112,558)	
Notes receivable, net			60,050		60,050
Office facilities, net			19,855		19,855
Deferred tax asset	93		16,920	(17,013)	
Intangible assets, net			38,816		38,816
Goodwill			132,472		132,472
Other	4,296	169	156,480	59	161,004
Investment in subsidiaries	491,174	890,664	(191,593)	(1,190,245)	
Intercompany receivables	191,755	(156,624)	816	(35,947)	
	\$ 702,165	\$ 923,368	\$ 3,379,658	\$ (1,381,042)	\$ 3,624,149

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATING BALANCE SHEET (unaudited)
 AS AT JUNE 30, 2011

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	\$	\$	\$ 38,290	\$	\$ 38,290
Bank call loans			159,000		159,000
Payable to brokers and clearing organizations			395,280		395,280
Payable to customers			560,486		560,486
Securities sold under agreement to repurchase			1,168,455		1,168,455
Securities sold, but not yet purchased, at fair value			181,474		181,474
Accrued compensation			120,424		120,423
Accounts payable and other liabilities	3,965	843	270,183	42	275,033
Income taxes payable	2,440	22,564	333	(25,337)	
Senior secured note				200,000	200,000
Subordinated indebtedness	200,000		112,558	(312,558)	
Deferred income tax, net		(943)	36,429	(17,013)	18,473
Excess of fair value of acquired assets over cost			7,020		7,020
Intercompany payables		35,931		(35,931)	
	206,405	58,395	3,049,932	(190,797)	3,123,935
Stockholders' equity attributable to the Oppenheimer Holdings Inc.	495,760	864,973	325,272	(1,190,245)	495,760
Noncontrolling interest			4,454		4,454
Stockholders' equity	495,760	864,973	329,726	(1,190,245)	500,214
	\$ 702,165	\$ 923,368	\$ 3,379,658	(1,381,042)	\$ 3,624,149

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATING BALANCE SHEET (unaudited)
 AS AT DECEMBER 31, 2010

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
ASSETS					
Cash and cash equivalents	\$ 361	\$ (241)	\$ 52,734	\$	\$ 52,854
Cash and securities segregated for regulatory and other purposes			142,446		142,446
Deposits with clearing organizations			23,228		23,228
Receivable from brokers and clearing organizations		62	302,782		302,844
Receivable from customers, net of allowance for credit losses of \$2,716			924,817		924,817
Income taxes receivable		33,557	(702)	(27,876)	4,979
Securities purchased under agreement to resell			347,070		347,070
Securities owned, including amounts pledged of \$102,501, at fair value			367,019		367,019
Subordinated loan receivable		12,558	100,000	(112,558)	
Notes receivable, net			59,786		59,786
Office facilities, net			22,875		22,875
Intangible assets, net			40,979		40,979
Goodwill			132,472		132,472
Other		(347)	198,954	58	198,665
Investment in subsidiaries	484,639	782,915	(152,852)	(1,114,702)	
Intercompany receivables	12,135	21,862	1,847	(35,844)	
	\$ 497,135	\$ 850,366	\$ 2,563,455	\$ (1,290,922)	\$ 2,620,034

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATING BALANCE SHEET (unaudited)
 AS AT DECEMBER 31, 2010

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	\$	\$	\$ 61,055	\$	\$ 61,055
Bank call loans			147,000		147,000
Payable to brokers and clearing organizations			372,697		372,697
Payable to customers			406,916		406,916
Securities sold under agreement to repurchase			390,456		390,456
Securities sold, but not yet purchased, at fair value			160,052		160,052
Accrued compensation			175,938		175,938
Accounts payable and other liabilities	131		262,268	107	262,506
Income taxes payable	2,440	22,188	3,248	(27,876)	
Senior secured credit note			22,503		22,503
Subordinated note			212,558	(112,558)	100,000
Deferred income tax, net			16,292	3	16,295
Excess of fair value of acquired assets over cost			7,020		7,020
Intercompany payables		35,896		(35,896)	
	2,571	58,084	2,238,003	(176,220)	2,122,438
Stockholders' equity attributable to the Oppenheimer Holdings Inc.					
Noncontrolling interest	494,564	792,282	322,420	(1,114,702)	494,564
			3,032		3,032
Stockholders' equity	494,564	792,282	325,452	(1,114,702)	497,596
	\$ 497,135	\$ 850,366	\$ 2,563,455	\$ (1,290,922)	\$ 2,620,034

Table of Contents

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (unaudited)
FOR THE THREE MONTHS ENDED JUNE 30, 2011

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
REVENUE					
Commissions	\$	\$	\$ 120,790	\$	\$ 120,790
Principal transactions, net		(308)	13,621		13,313
Interest		2,671	13,441	(2,463)	13,649
Investment banking			34,717	(1,000)	33,717
Advisory fees			50,662	(607)	50,055
Other			12,994		12,994
		2,363	246,225	(4,070)	244,518
EXPENSES					
Compensation and related expenses	48		160,388		160,436
Clearing and exchange fees			6,300		6,300
Communications and technology	7		16,062		16,069
Occupancy and equipment costs			18,524		18,524
Interest	3,791	1,924	7,417	(2,463)	10,669
Other	1,331	11	31,081	(1,607)	30,816
	5,177	1,935	239,772	(4,070)	242,814
Profit (loss) before income taxes	(5,177)	428	6,453		1,704
Income tax provision (benefit)	(2,058)	240	3,084		1,266
Net profit (loss) for the period	(3,119)	188	3,369		438
Less net profit attributable to non-Controlling interest, net of tax			747		747
Equity in subsidiaries	2,810			(2,810)	
Net profit (loss) attributable to Oppenheimer Holdings Inc.	\$ (309)	\$ 188	\$ 2,622	\$ (2,810)	\$ (309)

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (unaudited)
 FOR THE SIX MONTHS ENDED JUNE 30, 2011

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
REVENUE					
Commissions	\$	\$	\$ 257,645	\$	\$ 257,645
Principal transactions, net		(307)	24,611		24,304
Interest		4,419	28,230	(4,211)	28,438
Investment banking			63,158	(1,000)	62,158
Advisory fees			99,695	(1,191)	98,504
Other			26,886		26,886
		4,112	500,225	(6,402)	497,935
EXPENSES					
Compensation and related expenses	152		330,699		330,851
Clearing and exchange fees			12,613		12,613
Communications and technology	21		31,987		32,008
Occupancy and equipment costs			37,070		37,070
Interest	3,791	3,428	15,435	(4,211)	18,443
Other	1,546	262	55,800	(2,191)	55,417
	5,510	3,690	483,604	(6,402)	486,402
Profit (loss) before income taxes	(5,510)	422	16,621		11,533
Income tax provision (benefit)	(2,192)	265	7,261		5,334
Net profit (loss) for the period	(3,318)	157	9,360		6,199
Less net profit attributable to non-Controlling interest, net of tax			1,422		1,422
Equity in subsidiaries	8,095			(8,095)	
Net profit attributable to Oppenheimer Holdings Inc.	\$ 4,777	\$ 157	\$ 7,938	\$ (8,095)	\$ 4,777

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (unaudited)
 FOR THE THREE MONTHS ENDED JUNE 30, 2010

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
REVENUE					
Commissions	\$	\$	\$ 139,582	\$	\$ 139,582
Principal transactions, net			16,778		16,778
Interest		1,761	11,197	(1,760)	11,198
Investment banking			36,336		36,336
Advisory fees			44,480	(496)	43,984
Other			9,118		9,118
		1,761	257,491	(2,256)	256,996
EXPENSES					
Compensation and related expenses	95		164,209		164,304
Clearing and exchange fees			7,823		7,823
Communications and technology	14		16,286		16,300
Occupancy and equipment costs			18,262		18,262
Interest		1,518	6,631	(1,760)	6,389
Other	188	87	27,993	(496)	27,772
	297	1,605	241,204	(2,256)	240,850
Profit (loss) before income taxes	(297)	156	16,287		16,146
Income tax provision (benefit)	(119)	54	6,349		6,284
Net profit (loss) for the period	(178)	102	9,938		9,862
Less net profit attributable to non-controlling interest, net of tax			660		660
Equity in subsidiaries	9,380			(9,380)	
Net profit attributable to Oppenheimer Holdings Inc.	\$ 9,202	\$ 102	\$ 9,278	\$ (9,380)	\$ 9,202

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS (unaudited)
 FOR THE SIX MONTHS ENDED JUNE 30, 2010

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
REVENUE					
Commissions	\$	\$	\$ 277,779	\$	\$ 277,779
Principal transactions, net		(276)	37,233		36,957
Interest		3,496	20,776	(3,496)	20,776
Investment banking			61,520		61,520
Advisory fees			87,766	(988)	86,778
Other			19,361		19,361
		3,220	504,435	(4,484)	503,171
EXPENSES					
Compensation and related expenses	102		322,381		322,483
Clearing and exchange fees			14,385		14,385
Communications and technology	29		32,711		32,740
Occupancy and equipment costs			36,722		36,722
Interest		3,360	11,826	(3,496)	11,690
Other	477	100	53,556	(988)	53,145
	608	3,460	471,581	(4,484)	471,165
Profit (loss) before income taxes	(608)	(240)	32,854		32,006
Income tax provision (benefit)	(243)	(97)	13,120		12,780
Net profit (loss) for the period	(365)	(143)	19,734		19,226
Less net profit attributable to non-controlling interest, net of tax			856		856
Equity in subsidiaries	18,735			(18,735)	
Net profit attributable to Oppenheimer Holdings Inc.	\$ 18,370	\$ (143)	\$ 18,878	\$ (18,735)	\$ 18,370

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (unaudited)
 FOR THE SIX MONTHS ENDED JUNE 30, 2011

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
Cash flows from operations:					
Net profit (loss) for the period	\$ (3,318)	\$ 157	\$ 9,360	\$	\$ 6,199
Adjustments to reconcile net profit (loss) to net cash used in operating activities:					
Depreciation and amortization			6,437		6,437
Deferred income tax	(93)	(943)	3,213		2,177
Amortization of notes receivable			10,140		10,140
Amortization of debt issuance costs			571		571
Amortization of intangibles			2,163		2,163
Provision for credit losses			(286)		(286)
Share-based compensation			2,720		2,720
Changes in operating assets and liabilities	(194,182)	85,714	52,793	69	(55,608)
Cash provided by (used in) continuing operations	(197,593)	84,928	87,111	69	(25,487)
Cash flows from investing activities:					
Purchase of office facilities			(3,013)		(3,013)
Cash used in investing activities			(3,013)		(3,013)
Cash flows from financing activities:					
Cash dividends paid on Class A non-voting and Class B voting common stock	(3,003)				(3,003)
Issuance of Class A non-voting common Stock	337				337
Senior secured note issuance	200,000				200,000
Senior secured credit note repayments			(22,503)		(22,503)
Subordinated note repayments			(100,000)		(100,000)
Other financing activities	646	(35,215)	45,014	(69)	10,376
Cash provided by (used in) financing activities	197,980	(35,215)	(77,489)	(69)	85,207

Net increase (decrease) in cash and cash equivalents	387	49,713	6,607	56,707
Cash and cash equivalents, beginning of period	361	(241)	52,734	52,854
Cash and cash equivalents, end of period	\$ 748	\$ 49,472	\$ 59,341	\$ 109,561

Table of Contents

OPPENHEIMER HOLDINGS INC.
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS (unaudited)
 FOR THE SIX MONTHS ENDED JUNE 30, 2010

<i>Expressed in thousands of dollars.</i>	Parent	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Elimin- ations	Consolidated
Cash flows from operations:					
Net profit (loss) for the period	(\$365)	(\$143)	\$ 19,734		\$ 19,226
Adjustments to reconcile net profit (loss) to net cash used in operating activities:					
Depreciation and amortization			6,007		6,007
Deferred income tax			8,960		8,960
Amortization of notes receivable			10,005		10,005
Amortization of debt issuance costs			391		391
Amortization of intangibles			2,162		2,162
Provision for credit losses			359		359
Share-based compensation			(408)		(408)
Changes in operating assets and liabilities	(56)	(5,702)	(113,949)	(3,666)	(123,373)
Cash provided by (used in) continuing operations	(421)	(5,845)	(66,739)	(3,666)	(76,671)
Cash flows from investing activities:					
Purchase of office facilities			(5,607)		(5,607)
Cash used in investing activities			(5,607)		(5,607)
Cash flows from financing activities:					
Cash dividends paid on Class A non- voting and Class B voting common stock	(2,932)				(2,932)
Issuance of Class A non-voting common Stock	2,002				2,002
Senior secured credit note repayments			(1,000)		(1,000)
Other financing activities	4,531	8,690	45,409	3,666	62,296
Cash provided by (used in) financing activities	3,601	8,690	44,409	3,666	60,366
Net increase (decrease) in cash and cash equivalents	3,180	2,845	(27,937)		(21,912)

Cash and cash equivalents, beginning of period	2,475	2,359	64,084	68,918
Cash and cash equivalents, end of period	\$ 5,655	\$ 5,204	\$ 36,147	\$ 47,006

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Reference is also made to the Company's consolidated financial statements and notes thereto found in its Annual Report on Form 10-K for the year ended December 31, 2010.

The Company engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, trust services and investment advisory and asset management services. Its principal subsidiaries are Oppenheimer & Co. Inc. (Oppenheimer) and Oppenheimer Asset Management (OAM). As at June 30, 2011, the Company provided its services from 94 offices in 26 states located throughout the United States, offices in Tel Aviv, Israel, Hong Kong, China, and London, England and in two offices in Latin America through local broker-dealers. Client assets entrusted to the Company as at June 30, 2011 totaled approximately \$73.9 billion. The Company provides investment advisory services through OAM and Oppenheimer Investment Management (OIM) and Oppenheimer's Fahnestock Asset Management, ALPHA and OMEGA Group divisions. The Company provides trust services and products through Oppenheimer Trust Company. The Company provides discount brokerage services through Freedom and through BUYandHOLD, a division of Freedom Investments, Inc. Through OPY Credit Corp., the Company offers syndication as well as trading of issued corporate loans. Oppenheimer Multifamily Housing and Healthcare Finance, Inc. (formerly Evanston Financial Corporation) (OMHHF) is engaged in mortgage brokerage and servicing. At June 30, 2011, client assets under management by the asset management groups totaled \$19.7 billion. At June 30, 2011, the Company employed 3,670 employees (3,536 full time and 134 part time), of whom approximately 1,421 were financial advisors.

Critical Accounting Policies

The Company's accounting policies are essential to understanding and interpreting the financial results reported in the condensed consolidated financial statements. The significant accounting policies used in the preparation of the Company's condensed consolidated financial statements are summarized in notes 1 and 2 to the Company's consolidated financial statements and notes thereto found in its Annual Report on Form 10-K for the year ended December 31, 2010. Certain of those policies are considered to be particularly important to the presentation of the Company's financial results because they require management to make difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain.

During the three months ended June 30, 2011, there were no material changes to matters discussed under the heading Critical Accounting Policies in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Business Environment

The securities industry is directly affected by general economic and market conditions, including fluctuations in volume and price levels of securities and changes in interest rates, inflation, political events, investor participation levels, legal and regulatory, accounting, tax and compliance requirements and competition, all of which have an impact on commissions, firm trading, fees from accounts under investment management as well as fees for investment banking services, and investment income as well as on liquidity. Substantial fluctuations can occur in revenues and net income due to these and other factors.

Table of Contents

For a number of years, the Company has offered auction rate securities (ARS) to its clients. A significant portion of the market in ARS has failed because, in the tight credit market, the dealers are no longer willing or able to purchase the imbalance between supply and demand for ARS. These securities have auctions scheduled on either a 7, 28 or 35 day cycle. Clients of the Company own a significant amount of ARS in their individual accounts. The absence of a liquid market for these securities presents a significant problem to clients and, as a result, to the Company. It should be noted that this is a failure of liquidity and not a default. These securities in almost all cases have not failed to pay interest or principal when due. These securities are fully collateralized for the most part and, for the most part, remain good credits. The Company has not acted as an auction agent for ARS.

Interest rates on ARS typically reset through periodic auctions. Due to the auction mechanism and generally liquid markets, ARS have historically been categorized as Level 1 in the fair value hierarchy. Beginning in February 2008, uncertainties in the credit markets resulted in substantially all of the ARS market experiencing failed auctions. Once the auctions failed, the ARS could no longer be valued using observable prices set in the auctions. The Company has used less observable determinants of the fair value of ARS, including the strength in the underlying credits, announced issuer redemptions, completed issuer redemptions, and announcements from issuers regarding their intentions with respect to their outstanding ARS. The Company has also developed an internal methodology to discount for the lack of liquidity and non-performance risk of the failed auctions. Key inputs include spreads on comparable Treasury yields to derive a discount rate, an estimate of the ARS duration, and yields based on current auctions in comparable securities that have not failed. Due to the less observable nature of these inputs, the Company categorizes ARS in Level 3 of the fair value hierarchy. As of June 30, 2011, the Company had a valuation adjustment (unrealized) of \$4.9 million for ARS.

The Company has sought, with limited success, financing from a number of sources to try to find a means for all its clients to find liquidity from their ARS holdings and will continue to do so. There can be no assurance that the Company will be successful in finding a liquidity solution for all its clients ARS holdings. See Risk Factors The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and Factors Affecting Forward-Looking Statements .

The Company is focused on growing its private client and asset management businesses through strategic additions of experienced financial advisors in its existing branch system and employment of experienced money management personnel in its asset management business. In addition, the Company is committed to the improvement of its technology capability to support client service and the expansion of its capital markets capabilities while addressing the issue of managing its expenses to better align them with the current investment environment. The Company will continue to nurture the growth of OMMHF as well as its business in non-U.S. markets.

Regulatory and Legal Environment

The brokerage business is subject to regulation by, among others, the Securities and Exchange Commission (SEC) and FINRA (formerly the NYSE and NASD) in the United States, the Financial Services Authority (FSA) in the United Kingdom, the Securities and Futures Commission in Hong Kong (SFC), the Israeli Securities Authority (ISA) in Israel and various state securities regulators. Events in recent years surrounding corporate accounting and other activities leading to investor losses resulted in the enactment of the Sarbanes-Oxley Act and have caused increased regulation of public companies. New regulations and new interpretations and enforcement of existing regulations are creating increased costs of compliance and increased investment in systems and procedures to comply with these more complex and onerous requirements. Increasingly, the various states are imposing their own regulations that make the uniformity of regulation a thing of the past, and make compliance more difficult and more expensive to monitor.

Table of Contents

In July 2010, Congress enacted extensive legislation entitled the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd Frank) in which it mandated that the SEC and other regulators conduct comprehensive studies and issue new regulations based on their findings to control the activities of financial institutions in order to protect the financial system, the investing public and consumers from issues and failures that occurred in the recent financial crisis. All relevant studies have not yet been completed, but they are widely expected to extensively impact the regulation and practices of financial institutions including the Company. The changes are likely to significantly reduce leverage available to financial institutions and to increase transparency to regulators and investors of risks taken by such institutions. It is impossible to presently predict the nature of such rulemaking, and rules adopted in the U.S. and the United Kingdom would create a new regulator for certain activities, regulate and/or prohibit proprietary trading for certain deposit taking institutions, control the amount and timing of compensation to highly paid employees, create new regulations around financial transactions with consumers requiring the adoption of a uniform fiduciary standard of care of broker-dealers and investment advisers providing personalized investment advice about securities to retail customers, and increase the disclosures provided to clients, and possibly create a tax on securities transactions. If and when enacted, such regulations will likely increase compliance costs and reduce returns earned by financial service providers and intensify compliance overall. It is difficult to predict the nature of the final regulations and their impact on the business of the Company.

The impact of the rules and requirements that were created by the passage of the Patriot Act, and the anti-money laundering regulations (AML) in the U.S. and similar laws in other countries that are related thereto have created significant costs of compliance and can be expected to continue to do so.

Pursuant to FINRA Rule 3130 (formerly NASD Rule 3013 and NYSE Rule 342), the chief executive officers (CEOs) of regulated broker-dealers (including the CEO of Oppenheimer) are required to certify that their companies have processes in place to establish and test supervisory policies and procedures reasonably designed to achieve compliance with federal securities laws and regulations, including applicable regulations of self-regulatory organizations. The CEO of the Company is required to make such a certification on an annual basis and did so in March 2011.

Other Regulatory Matters

For several quarters, Oppenheimer has been responding to information requests from the Enforcement Staff of FINRA regarding Oppenheimer s policies and procedures in relation to, and the activities of several financial advisors concerning, the sale of low-priced securities. The Company has responded to numerous document requests and there have been on-the-record testimony given by financial advisors and supervisory personnel who work in several of Oppenheimer s branch offices.

On June 23, 2011, the Company received notice of an investigation by the SEC pursuant to which the SEC requested information from the Company regarding the sale of a number of low-priced securities effected primarily through one of Oppenheimer s financial advisors.

Oppenheimer is continuing to cooperate with the investigating entities and will continue to closely monitor the activities of its financial advisors and their supervisors in relation to the sale of low-priced securities.

Table of Contents

In February 2010, Oppenheimer finalized settlements with each of the New York Attorney General's office (NYAG) and the Massachusetts Securities Division (MSD) and, together with the NYAG, the Regulators) concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of auction rate securities (ARS). Pursuant to those settlements, as at June 30, 2011, the Company had purchased approximately \$67.3 million in ARS from its clients and expects to purchase at least an additional \$6.0 million of ARS from its clients under the current client purchase offer. The Company's purchases of ARS from its clients will continue on a periodic basis thereafter pursuant to the settlements with the Regulators. In addition, the Company is committed to purchase another \$49.0 million in ARS as a result of legal settlements with clients. The ultimate amount of ARS to be repurchased by the Company cannot be predicted with any certainty and will be impacted by redemptions by issuers and client actions during the period, which cannot be predicted. In addition to the ARS purchases from clients of \$67.3 million as of June 30, 2011 referred to above, the Company also held \$2.1 million in ARS in its proprietary trading account as of June 30, 2011 as a result of the failed auctions in February 2008. These ARS positions primarily represent Auction Rate Preferred Securities issued by closed-end funds and, to a lesser extent, Municipal Auction Rate Securities which are municipal bonds wrapped by municipal bond insurance and Student Loan Auction Rate Securities which are asset-backed securities backed by student loans (collectively referred to as ARS).

The Company's clients held at Oppenheimer approximately \$406.8 million of ARS at June 30, 2011, exclusive of amounts that 1) were owned by Qualified Institutional Buyers (QIBs), 2) were transferred to the Company after February 2008, 3) were purchased by clients after February 2008, or 4) were transferred from the Company to other securities firms after February 2008. This represents a decrease of \$78.0 million from amounts that our clients held as of March 31, 2011 as a result of issuer redemptions and purchases by the Company.

See Risk Factors The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market, appearing in Item 1A to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and Legal Proceedings herein.

Other Matters

A subsidiary of the Company was the administrative agent for two closed-end funds until December 5, 2005. The Company has been advised by the current administrative agent for these two funds that the Internal Revenue Service (IRS) may file a claim for interest and penalties for one of these funds with respect to the 2004 tax year as a result of an alleged failure of such subsidiary to take certain actions. Representatives of the fund have been in discussions with the IRS on behalf of that fund to resolve the matter. There is no guarantee that a resolution will be reached. To the extent there is a resolution of this matter, a contribution to such resolution may need to be made by the Company and others. The Company will continue to monitor developments in this matter.

In April 2008, Oppenheimer commenced an action against Metal Management Inc. (Metal) in the United States District Court for the Southern District of New York (the Court) to collect an unpaid fee related to an investment banking transaction. On June 20, 2011, the Court issued an order granting Oppenheimer's motion for summary judgment. On July 25, 2011, Metal appealed such order to the United States Court of Appeals for the Second Circuit. Oppenheimer is contemplating a cross-appeal to seek recovery of attorney fees and costs. There is no guarantee that a cross-appeal, if filed, will be successful or that the Court's order will be affirmed during the appeal process.

Table of Contents

The Company operates in all state jurisdictions in the United States and is thus subject to regulation and enforcement under the laws and regulations of each of these jurisdictions. The Company has been and expects that it will continue to be subject to investigations and some or all of these may result in enforcement proceedings as a result of its business conducted in the various states.

As part of its ongoing business, the Company records reserves for legal expenses, judgments, fines and/or awards attributable to litigation and regulatory matters. In connection therewith, the Company has maintained its legal reserves at levels it believes will resolve outstanding matters, but may increase or decrease such reserves as matters warrant. In accordance with applicable accounting guidance, the Company establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and reasonably estimable. When loss contingencies are not both probable and reasonably estimable, the Company does not establish reserves. In some of the matters described below under *Legal Proceedings*, including but not limited to the *U.S. Airways* matter, loss contingencies are not probable and reasonably estimable in the view of management and, accordingly, reserves have not been established for those matters. See *Legal Proceedings* herein and note 13 to the consolidated financial statements appearing in Item 8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

Business Continuity

The Company is committed to an on-going investment in its technology and communications infrastructure including extensive business continuity planning and investment. These costs are on-going and the Company believes that current and future costs will remain high due to business and regulatory requirements. This investment increased in 2008 and 2009 as a result of the January 2008 acquisition of certain businesses from CIBC and the Company's need to build out its platform to accommodate these businesses. The Company made infrastructure investments for technology in 2010 when it built a new data center both to accommodate its existing and future business and to restructure its disaster recovery planning.

Outlook

The Company's long-term plan is to continue to expand existing offices by hiring experienced professionals as well as through the purchase of operating branch offices from other broker dealers or the opening of new branch offices in attractive locations, thus maximizing the potential of each office and the development of existing trading, investment banking, investment advisory and other activities. Equally important is the search for viable acquisition candidates. As opportunities are presented, it is the long-term intention of the Company to pursue growth by acquisition where a comfortable match can be found in terms of corporate goals and personnel at a price that would provide the Company's stockholders with incremental value. The Company may review additional potential acquisition opportunities, and will continue to focus its attention on the management of its existing business. In addition, the Company is committed to improving its technology capabilities to support client service and the expansion of its capital markets capabilities.

Table of Contents

Results of Operations

The Company reported a net loss of \$309,000 or (\$0.02) per share for the second quarter of 2011 compared to a net profit of \$9.2 million or \$0.69 per share in the second quarter of 2010. Revenue for the second quarter of 2011 was \$244.5 million compared to revenue of \$257.0 million in the second quarter of 2010, a decrease of 4.9%. Client assets entrusted to the Company and under management totaled approximately \$73.9 billion while client assets under fee-based programs offered by the asset management groups totaled approximately \$19.7 billion at June 30, 2011 (\$66.9 billion and \$14.7 billion, respectively, at June 30, 2010). Second quarter results were negatively impacted by costs of \$4.6 million associated with refinancing our long-term debt as well as significant continuing costs associated with auction rate securities matters.

Net profit for the six months ended June 30, 2011 was \$4.8 million or \$0.35 per share compared to \$18.4 million or \$1.38 per share in the same period of 2010. Revenue for the six months ended June 30, 2011 was \$497.9 million, a decrease of 1.0% compared to \$503.2 million in the same period of 2010.

Repercussions from the tsunami in Japan, volatile commodity prices, and uncertainty around sovereign debt quality both in Europe and the U.S. has led to a slowing of economic growth amid protracted high levels of unemployment. Amid these conditions, the U.S. equity and debt markets were volatile but with extremely low volume levels and low levels of investor participation. While corporate earnings are likely to continue to show improvement over the near term, the confidence of consumers remains low and the protracted decline in housing prices continues to restrict job growth and consumer spending. The recent agreement on the U.S. debt ceiling will lift one element of uncertainty, but the long-term budget issues facing the U.S. remain a drag on the economy and the willingness of business to create new jobs.

Oppenheimer's results were significantly affected by the conditions described above as well as by matters more closely tied to the Company. The Company's institutional business, both equity and fixed income, was adversely affected by low volume levels, volatility and client reluctance to try to decipher the markets' future direction amid the volatility of price action during the second quarter of 2011. Investment banking income declined for the period mostly due to the comparison to 2010 when that quarter's income was favorably impacted by a large fee earned on a single transaction. Fee based programs within our asset management business continued to show favorable comparisons as the equity markets were near their highs at the time these fee amounts were determined. The effective tax rate for the three-month period ended June 30, 2011 was negatively impacted by remeasurements of deferred tax assets arising from net operating losses related to the Company's Israeli subsidiary, resulting in tax expense of \$466,000, and from state net operating losses and gross timing differences, resulting in net tax expense of \$188,000.

Table of Contents

The following table and discussion summarizes the changes in the major revenue and expense categories for the periods presented:

Expressed in thousands of dollars.

	Three months ended June 30, 2011 versus 2010		Six months ended June 30, 2011 versus 2010	
	Period to Period Change	Period to Period Change	Period to Period Change	Percentage Change
Revenue -				
Commissions	\$ (18,792)	-13.5%	\$ (20,134)	-7.3%
Principal transactions, net	(3,465)	-20.6%	(12,653)	-34.2%
Interest	2,451	21.9%	7,662	36.9%
Investment banking	(2,619)	-7.2%	638	1.0%
Advisory fees	6,071	13.8%	11,726	13.5%
Other	3,876	42.5%	7,525	38.9%
Total revenue	(12,478)	-4.9%	(5,236)	-1.0%
Expenses -				
Compensation and related expenses	(3,868)	-2.4%	8,368	2.6%
Clearing and exchanges fees	(1,523)	-19.5%	(1,772)	-12.3%
Communications and technology	(231)	-1.4%	(732)	-2.2%
Occupancy and equipment costs	262	1.4%	348	0.9%
Interest	4,280	67.0%	6,753	57.8%
Other	3,044	11.0%	2,272	4.3%
Total expenses	2,964	1.2%	15,237	3.5%
Profit before income taxes	(14,442)	-89.4%	(20,473)	-64.0%
Income tax provision	(5,018)	-79.9%	(7,446)	-58.3%
Net profit	(9,424)	-95.6%	(13,027)	-67.8%
Net profit attributable to non- controlling interest, net of tax	87	13.2%	566	66.1%
Net profit (loss) attributable to Oppenheimer Holdings Inc.	\$ (9,511)	-103.4%	\$ (13,593)	-74.0%

Highlights of the Company's results for the three and six months ended June 30, 2011 follow:

Revenue and Expenses**Revenue Second Quarter 2011**

Commission revenue was \$120.8 million for the second quarter of 2011, a decrease of 13.5% compared to \$139.6 million in the second quarter of 2010. Weak investor sentiment and volatile markets in the 2011 period contributed to the decline.

Principal transactions revenue was \$13.3 million in the second quarter of 2011 compared to \$16.8 million in the second quarter of 2010, a decrease of 20.6%. The decrease stems from lower income from firm investments (a net loss of \$2.0 million for the second quarter of 2011 compared to a net loss of \$144,000 for the second quarter of 2010) and lower fixed income trading revenue (\$15.4 million in the second quarter of 2011 compared to \$17.4 million in the second quarter of 2010).

Table of Contents

Interest revenue was \$13.6 million in the second quarter of 2011, an increase of 21.9% compared to \$11.2 million in the second quarter of 2010. The increase is primarily attributable to increased interest earned by the government trading desk of \$515,000 as a result of higher inventory balances as well as an increase in margin revenue of \$757,000 as a result of higher margin debit balances.

Investment banking revenue was \$33.7 million in the second quarter of 2011, a decrease of 7.2% compared to \$36.3 million in the second quarter of 2010 with decreased fee income related to private placements of \$10.4 million, offset by an increase of \$6.3 million in advisory services and an increase of \$1.5 million in fees relating to equity issuances.

Advisory fees were \$50.1 million in the second quarter of 2011, an increase of 13.8% compared to \$44.0 million in the second quarter of 2010. Asset management fees increased by \$6.7 million in the second quarter of 2011 compared to the same period in 2010 as a result of an increase in the value of assets under management of 17.1% during the period. Asset management fees are calculated based on client assets under management at the end of the prior quarter which totaled \$19.9 billion at March 31, 2011 (\$17.0 billion at March 31, 2010). The increase in asset management fees was offset by a decrease in fees earned on money market products of \$581,000 as the Company continues to waive money market fee income. The Company waived \$6.3 million in money market fees during the period (\$5.7 million in the second quarter of 2010).

Other revenue was \$13.0 million in the second quarter of 2011, an increase of 42.5% compared to \$9.1 million in the second quarter of 2010 primarily as a result of a \$2.5 million increase in the mark-to-market value of Company-owned life insurance policies that relate to our employee deferred compensation programs (which are largely offset by an increase in employee compensation liabilities and expense). In addition, fees generated from Oppenheimer Multifamily Housing & Healthcare Finance, Inc. (OMHHF) (formerly called Evanston Financial Corporation) increased by \$2.0 million in the second quarter of 2011 compared to the second quarter of 2010.

Revenue Year-to-date 2011

Commission revenue was \$257.6 million for the six months ended June 30, 2011, a decrease of 7.3% compared to \$277.8 million in the same period of 2010.

Principal transactions revenue was \$24.3 million in the six months ended June 30, 2011 compared to \$37.0 million in the same period of 2010, a decrease of 34.2%. The decrease stems from lower income from loan trading and sales (\$484,000 for the six months ended June 30, 2011 compared to \$4.7 million in the same period of 2010) as a result of the loss of personnel and lower fixed income trading revenue (\$24.9 million in the six months ended June 30, 2011 compared to \$31.4 million in the same period of 2010).

Interest revenue was \$28.4 million in the six months ended June 30, 2011, an increase of 36.9% compared to \$20.8 million in the same period of 2010. The increase is primarily attributable to interest earned by the government trading desk of \$4.4 million as a result of higher inventory balances as well as an increase in margin revenue of \$1.3 million as a result of higher margin debit balances.

Investment banking revenue was \$62.2 million in the six months ended June 30, 2011, an increase of 1.0% compared to \$61.5 million in the same period of 2010.

Advisory fees were \$98.5 million in the six months ended June 30, 2011, an increase of 13.5% compared to \$86.8 million in the same period of 2010. Asset management fees increased by \$11.9 million in the six months ended June 30, 2010 compared to the same period in 2010 as a result of an increase in the value of assets under management during the period. The increase in asset management fees was offset by a decrease in fees earned on money market products of \$892,000 as the Company continues to waive money market fee

income. The Company waived \$12.2 million in money market fees during the period (\$11.8 million in the second quarter of 2010).

Table of Contents

Other revenue was \$26.9 million in the six months ended June 30, 2011, an increase of 38.9% compared to \$19.4 million in the same period of 2010 primarily as a result of a \$2.7 million increase in the mark-to-market value of Company-owned life insurance policies that relate to our employee deferred compensation programs as well as a \$5.5 million increase in fees generated from OMHHF in the six months ended June 30, 2011 compared to the same period in 2010.

Expenses Second Quarter 2011

Compensation and related expenses decreased 2.4% in the second quarter of 2011 to \$160.4 million compared to \$164.3 million in the second quarter of 2010. Decreases in production-related compensation expense of \$2.7 million tracked the decrease in revenue in the second quarter of 2011 compared to the second quarter of 2010. In addition, share-based compensation expense decreased by \$3.5 million in response to the decline in the Company's stock price in the second quarter of 2011, partially offset by an increase in deferred compensation expense of \$2.1 million compared to the second quarter of 2010.

Clearing and exchange fees decreased 19.5% to \$6.3 million in the second quarter of 2011 compared to \$7.8 million in the same period of 2010 due to lower trade execution costs and floor brokerage fees.

Communications and technology expenses decreased 1.4% to \$16.1 million in the second quarter of 2011 from \$16.3 million in the same period of 2010.

Occupancy and equipment costs of \$18.5 million in the second quarter of 2011 increased 1.4% compared to \$18.3 million in the second quarter of 2010 due primarily to higher equipment rental costs in the second quarter of 2011 compared to the second quarter of 2010.

Interest expense increased 67.0% to \$10.7 million in the second quarter of 2011 from \$6.4 million in the same period in 2010 primarily due to increased debt service costs of \$2.2 million incurred on the \$200 million senior secured notes which were issued to refinance and retire the Company's senior secured credit note (\$22.4 million) and subordinated note (\$100 million) in April 2011. In addition, the loss of \$1.6 million on the Company's interest rate cap which hedged the subordinated note was reclassified from other comprehensive income (loss) into interest expense in the second quarter of 2011.

Other expenses increased 11.0% to \$30.8 million in the second quarter of 2011 from \$27.8 million in the same period in 2010 primarily due to increased legal costs of \$1.4 million relating to client litigation and arbitration activity and legal costs to resolve regulatory matters and professional consulting fees of \$1.0 million.

Expenses Year-to-date 2011

Compensation and related expenses increased 2.6% in the six months ended June 30, 2011 to \$330.9 million compared to \$322.5 million in the same period of 2010. The increase was primarily due to increases in share-based compensation expense and deferred compensation expense of \$3.1 million and \$2.8 million, respectively, in the six months ended June 30, 2011 compared to the same period in 2010.

Clearing and exchange fees decreased 12.3% to \$12.6 million in the six months ended June 30, 2011 compared to \$14.4 million in the same period of 2010 due to lower trade execution costs and floor brokerage fees.

Table of Contents

Communications and technology expenses decreased 2.2% to \$32.0 million in the six months ended June 30, 2011 from \$32.7 million in the same period of 2010 due to lower telecommunications costs in the six months ended June 30, 2011 compared to the same period in 2010.

Occupancy and equipment costs of \$37.1 million in the six months ended June 30, 2011 increased by 0.9% compared to \$36.7 million in the same period of 2010.

Interest expense increased 57.8% to \$18.4 million in the six months ended June 30, 2011 from \$11.7 million in the same period in 2010 primarily due to increased debt service costs of \$2.1 million incurred on the \$200 million senior secured notes which were issued to refinance and retire the Company's senior secured credit note (\$22.4 million) and subordinated note (\$100 million) in April 2011. In addition, the loss of \$1.6 million on the Company's interest rate cap which hedged the subordinated note was reclassified from other comprehensive income (loss) into interest expense in the second quarter of 2011.

Other expenses increased 4.3% to \$55.4 million in the six months ended June 30, 2011 from \$53.1 million in the same period in 2010 primarily due to increased legal costs of \$832,000 relating to client litigation and arbitration activity and legal costs to resolve regulatory matters and professional consulting fees of \$1.4 million.

Liquidity and Capital Resources

Total assets at June 30, 2011 increased by 38.3% from December 31, 2010 levels due in large part to the Company's expansion of its government trading desk. The Company satisfies its need for short-term funds from internally generated funds and collateralized and uncollateralized borrowings, consisting primarily of bank loans, stock loans and uncommitted lines of credit. The Company finances its trading in government securities through the use of repurchase agreements. The Company's longer-term capital needs are met through the issuance of the Senior Secured Note (see "Refinancing" below). The amount of Oppenheimer's bank borrowings fluctuates in response to changes in the level of the Company's securities inventories and customer margin debt, changes in stock loan balances and changes in notes receivable from employees. The Company believes that such availability will continue going forward but current conditions in the credit markets may make the availability of bank financing more challenging in the months ahead. Oppenheimer has arrangements with banks for borrowings on a fully-collateralized basis. At June 30, 2011, the Company had \$159.0 million of such borrowings outstanding compared to outstanding borrowings of \$147.0 million at December 31, 2010.

Volatility in the financial markets, and the continuance of credit problems throughout the national economy, has had an adverse affect on the availability of credit through traditional sources. As a result of concern about the ability of markets generally and the strength of counterparties specifically, many lenders have reduced and, in some cases, ceased to provide funding to the Company on both a secured and unsecured basis.

On August 5, 2011, Standard & Poor's lowered its long term sovereign credit rating on the United States of America from AAA to AA+. While the ultimate impact of such action is inherently unpredictable, this downgrade could have material adverse impact on financial markets and economic conditions throughout the world, including, specifically, the United States. Moreover, the market's anticipation of these impact could have a material adverse effect on our business, financial condition and liquidity. The negative impacts that may result from this downgrade or any future downgrade could adversely affect our credit ratings, as well as those of our clients and/or counterparties and could require us to post additional collateral on loans collateralized by U.S. Treasury securities. The unprecedented nature of this and any future negative credit rating actions with respect to U.S. government obligations will make any impacts on our business, financial condition and liquidity unpredictable. See Item 1A "Risk Factors- The Recent Downgrade of U.S. Long Term Sovereign Debt Obligations May Adversely Affect Markets and Our Business" in this Quarterly Report on Form 10-Q.

In February 2010, Oppenheimer finalized settlements with each of the New York Attorney General's office ("NYAG") and the Massachusetts Securities Division ("MSD") and, together with the NYAG, the "Regulators") concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of

auction rate securities (ARS). Pursuant to those settlements, as at June 30, 2011, the Company had purchased approximately \$67.3 million in ARS from its clients and expects to purchase at least an additional \$6.0 million of ARS from its clients under the current client purchase offer. The Company's purchases of ARS from its clients will continue on a periodic basis thereafter pursuant to the settlements with the Regulators. In addition,

Table of Contents

the Company is committed to purchase another \$49.0 million in ARS as a result of legal settlements with clients. The ultimate amount of ARS to be repurchased by the Company cannot be predicted with any certainty and will be impacted by redemptions by issuers and client actions during the period, which cannot be predicted. In addition to the ARS purchases from clients of \$67.3 million as of June 30, 2011 referred to above, the Company also held \$2.1 million in ARS in its proprietary trading account as of June 30, 2011 as a result of the failed auctions in February 2008. These ARS positions primarily represent Auction Rate Preferred Securities issued by closed-end funds and, to a lesser extent, Municipal Auction Rate Securities which are municipal bonds wrapped by municipal bond insurance and Student Loan Auction Rate Securities which are asset-backed securities backed by student loans (collectively referred to as ARS).

Refinancing

On April 12, 2011, the Company completed the private placement of \$200.0 million in aggregate principal amount of 8.75 percent Senior Secured Notes (Notes) due April 15, 2018 at par. The interest on the Notes is payable semi-annually on April 15th and October 15th. Proceeds from the private placement were used to retire the Morgan Stanley Senior Secured Credit Note due 2013 (\$22.4 million) and the CIBC Subordinated Note due 2014 (\$100.0 million) (together the Debt) and for other general corporate purposes. The private placement resulted in the fixing of the interest rate over the term of the Notes compared to the variable rate debt that was retired and an extension of the debt maturity dates as described above. The cost to issue the Notes was approximately \$4.5 million which has been capitalized during the three months ending June 30, 2011 and will be amortized over the period of the Notes. The Company wrote off \$344,000 in unamortized debt issuance costs related to the Senior Secured Credit Note during the three months ending June 30, 2011. Additionally, as a result of the retirement of the Subordinated Note, the effective portion of the net loss of \$1.3 million related to the interest rate cap cash flow hedge has been reclassified from accumulated other comprehensive income (loss) on the condensed consolidated balance sheet to interest expense on the condensed consolidated statement of operations during the three months ending June 30, 2011.

The indenture for the Notes contains covenants which place restrictions on the incurrence of indebtedness, the payment of dividends, sale of assets, mergers and acquisitions and the granting of liens. The Notes provide for events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. The Company's obligations under the Notes are guaranteed, subject to certain limitations, by the same subsidiaries that guaranteed the obligations under the Senior Secured Credit Note and the Subordinated Note which were retired. These guarantees may be shared, on a senior basis, under certain circumstances, with newly incurred debt outstanding in the future. The Notes were filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011. At June 30, 2011, the Company was in compliance with all of its covenants.

On July 12, 2011, the Company's Registration Statement on Form S-4, filed to register the exchange of the Notes for fully registered Notes, was declared effective by the SEC. The Exchange Offer is currently scheduled to expire on August 9, 2011.

Lease commitment

On July 15, 2011, the Company signed a lease to occupy seven floors at 85 Broad Street in New York City for a term of 15 years. The Company will occupy approximately 270,000 rentable square feet in the building. This lease represents a commitment of approximately \$184.5 million over the 15 year term.

Table of Contents

Liquidity

For the most part, the Company's assets consist of cash and assets which can be readily converted into cash. Receivable from dealers and clearing organizations represents deposits for securities borrowed transactions, margin deposits or current transactions awaiting settlement. Receivable from customers represents margin balances and amounts due on transactions awaiting settlement. Our receivables are, for the most part, collateralized by marketable securities. The Company's collateral maintenance policies and procedures are designed to limit the Company's exposure to credit risk. Securities owned, with the exception of the ARS, are mainly comprised of actively trading, readily marketable securities. The Company advanced \$7.9 million in forgivable notes, net to financial advisors for the three months ended June 30, 2011 (\$10.5 million for the three months ended June 30, 2010) as upfront or backend inducements. The amount of funds allocated to such inducements will vary with market conditions and available opportunities.

The Company satisfies its need for short-term liquidity from internally generated funds, collateralized and uncollateralized bank borrowings, stock loans and repurchase agreements. Bank borrowings are collateralized by firm and customer securities. In addition, letters of credit are issued in the normal course of business to satisfy certain collateral requirements in lieu of depositing cash or securities.

The Company does not repatriate the earnings of its foreign subsidiaries. Foreign earnings are permanently reinvested for the use of the foreign subsidiaries and therefore these foreign earnings are not available to satisfy the domestic liquidity requirements of the Company.

The Company obtains short-term borrowings primarily through bank call loans. Bank call loans are generally payable on demand and bear interest at various rates not exceeding the broker call rate. At June 30, 2011, bank call loans were \$159.0 million (\$62.4 million at June 30, 2010). Average bank loans outstanding for the three and six months ended June 30, 2011 were \$264.5 million and \$193.4 million, respectively (\$61.3 million and \$56.2 million, respectively, for the three and six months ended June 30, 2010). The largest bank loan outstanding for the three and six months ended June 30, 2011 was \$304.3 million (\$144.2 million for the three and six months ended June 30, 2010). The average weighted interest rate applicable on June 30, 2011 was 1.3%.

At June 30, 2011, stock loan balances totaled \$309.9 million (\$327.7 million at June 30, 2010). The average daily stock loan balance for the three and six months ended June 30, 2011 was \$396.4 million and \$369.8 million, respectively (\$374.5 million and \$393.7 million, respectively, for the three and six months ended June 30, 2010). The largest stock loan balances for both the three and six months ended June 30, 2011 was \$471.9 million (\$426.0 million and \$456.1 million, respectively, for the three and six months ended June 30, 2010).

The aggregate amount of stock loan and borrowing activity has increased as equity markets have improved and as the values of the underlying securities have increased. Client demand for margin borrowing has increased somewhat and with it the desire to establish short positions which creates further demand for stock borrowing activity to fulfill the obligation to complete delivery.

Securities purchased under agreements to sell (repurchase agreements) and securities sold under agreements to repurchase (resale agreements) are used by the Company when acting as intermediary between borrowers and lenders of short-term funds and to provide funding for various inventory positions. At June 30, 2011, the total value of the resale agreements and repurchase agreements were \$556.9 million and \$1.2 billion, respectively. At June 30, 2011, the fair value under the fair value option of the resale agreements and repurchase agreements were \$556.9 million and \$nil, respectively. At June 30, 2011, the gross balances of resale agreements and repurchase agreements were \$7.7 billion and \$8.2 billion, respectively. The average daily balance of resale agreements and repurchase agreements on a gross basis for the three months ended June 30, 2011 was \$5.4 billion and \$6.1 billion, respectively. The largest amount of resale agreements and repurchase agreements outstanding on a gross basis during the three months ended June 30, 2011 was \$8.2 billion and \$8.8 billion, respectively.

Table of Contents

OMHHF, which is engaged in mortgage brokerage and servicing, has obtained an uncommitted warehouse facility line through PNC Bank (PNC) under which OMHHF pledges Federal Housing Administration (FHA) guaranteed mortgages for a period of up to 10 business days and PNC table funds the principal payment to the mortgagee. OMHHF repays PNC upon the securitization of the mortgage by the Government National Mortgage Association (GNMA) and the delivery of the security to the counter party for payment pursuant to a contemporaneous sale on the date the mortgage is funded. At June 30, 2011, OMHHF had \$14.5 million outstanding under the warehouse facility line at a variable interest rate of 1 month LIBOR plus 2.75%. Interest expense for the three and six months ended June 30, 2011 was \$835,000 and \$1.2 million, respectively.

Liquidity Management

The Company manages its need for liquidity on a daily basis to ensure compliance with regulatory requirements. The Company's liquidity needs may be affected by market conditions, increased inventory positions, business expansion and other unanticipated occurrences. In the event that existing financial resources do not satisfy the Company's needs, the Company may have to seek additional external financing. The availability of such additional external financing may depend on market factors outside the Company's control.

Funding Risk

Expressed in thousands of dollars.

	For the six months ended June 30,	
	2011	2010
Cash used in operating activities	\$ (25,487)	\$ (76,671)
Cash used in investing activities	(3,013)	(5,607)
Cash provided by financing activities	85,207	60,366
Net increase (decrease) in cash and cash equivalents	\$ 56,707	\$ (21,912)

Management believes that funds from operations, combined with the Company's capital base and available credit facilities, are sufficient for the Company's liquidity needs in the foreseeable future. (See Factors Affecting Forward-Looking Statements).

Other Matters

During the second quarter of 2011, the Company issued 33,882 shares of Class A Stock pursuant to the Company's share-based compensation programs.

On May 27, 2011, the Company paid cash dividends of \$0.11 per share of Class A and Class B Stock totaling approximately \$1.5 million from available cash on hand.

On July 28, 2011, the Board of Directors declared a regular quarterly cash dividend of \$0.11 per share of Class A and Class B Stock payable on August 26, 2011 to stockholders of record on August 12, 2011.

Table of Contents

The book value of the Company's Class A and Class B Stock was \$36.30 at June 30, 2011 compared to \$35.34 at June 30, 2010, based on total outstanding shares of 13,668,625 and 13,352,702, respectively.

The diluted weighted average number of shares of Class A and Class B Stock outstanding for the three months ended June 30, 2011 was 13,937,375 compared to 13,899,340 outstanding for the same period in 2010.

Off-Balance Sheet Arrangements

Information concerning the Company's off-balance sheet arrangements is included in Note 5 of the notes to the condensed consolidated financial statements. Such information is hereby incorporated by reference.

Contractual and Contingent Obligations

The Company has contractual obligations to make payments to CIBC in connection with the acquisition in the form of an earn-out to be paid in 2013 as described in note 18 of the consolidated financial statements for the year ended December 31, 2010 appearing in Item 8 of the Company's Annual Report of Form 10-K for the year ended December 31, 2010. On April 12, 2011, the Company repaid the remaining debt assumed upon the acquisition from the proceeds of new senior secured notes issued in the amount of \$200.0 million. See note 6 to the condensed consolidated financial statements.

The following table sets forth these contractual and contingent commitments as at June 30, 2011.

Expressed in millions of dollars.

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Minimum rentals (4)	\$ 187	\$ 20	\$ 72	\$ 45	\$ 50
Committed capital	5	5			
Earn-out	25		25		
Revolving commitment (1)	7				7
Senior Secured Notes (2)	200				200
ARS purchase offers (3)	55	6	26	23	
Total	\$ 479	\$ 31	\$ 123	\$ 68	\$ 257

- (1) Represents unfunded commitments to provide revolving credit facilities by OPY Credit Corp.
- (2) The Senior Secured Credit Note and the Subordinated Note were retired on April 12, 2011 and the Company issued \$200 million in 8.75% Senior Secured Notes due April 15, 2018.
- (3) Represents payments to be made pursuant to the ARS settlements entered into with Regulators in February 2010 as well as commitments to purchase ARS as a result of legal settlements. See note 13 to the consolidated financial statements for the year ended December 31, 2010 appearing in Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.
- (4) On July 15, 2011, the Company signed a lease to occupy seven floors at 85 Broad Street in New York City for a term of 15 years. The commitment of \$186.0 million related to this lease has not been included in the table.

Table of Contents

New Accounting Pronouncements

See Note 2 to the condensed consolidated financial statements. Such information is hereby incorporated by reference.

Factors Affecting Forward-Looking Statements

From time to time, the Company may publish Forward-looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Exchange Act or make oral statements that constitute forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products, anticipated market performance, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company cautions readers that a variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These risks and uncertainties, many of which are beyond the Company's control, include, but are not limited to: (i) transaction volume in the securities markets, (ii) the volatility of the securities markets, (iii) fluctuations in interest rates, (iv) changes in regulatory requirements which could affect the cost and method of doing business and reduce returns, (v) fluctuations in currency rates, (vi) general economic conditions, both domestic and international, (vii) changes in the rate of inflation and the related impact on the securities markets, (viii) competition from existing financial institutions and other participants in the securities markets, (ix) legal developments affecting the litigation experience of the securities industry and the Company, including developments arising from the failure of the Auction Rate Securities markets and the results of pending litigation involving the Company, (x) changes in federal and state tax laws which could affect the popularity of products sold by the Company or impose taxes on securities transactions, (xi) the effectiveness of efforts to reduce costs and eliminate overlap, (xii) war and nuclear confrontation as well as political unrest and regime changes, (xiii) the Company's ability to achieve its business plan, (xiv) corporate governance issues, (xv) the impact of the credit crisis and tight credit markets on business operations, (xvi) the effect of bailout, financial reform and related legislation including, without limitation, the Dodd-Frank Act, (xvii) the consolidation of the banking and financial services industry, (xviii) the effects of the economy on the Company's ability to find and maintain financing options and liquidity, (xix) credit, operations, legal and regulatory risks, and (xx) risks related to foreign operations. There can be no assurance that the Company has correctly or completely identified and assessed all of the factors affecting the Company's business. The Company does not undertake any obligation to publicly update or revise any forward-looking statements.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

During the three months ended June 30, 2011, there were no material changes to the information contained in Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 4. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Table of Contents

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or its internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision making can be faulty and that break-downs can occur because of a simple error or omission. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company confirms that its management, including its Chief Executive Officer and its Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in its reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) during the three months ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents

**PART II
OTHER INFORMATION**

ITEM 1. Legal Proceedings

Many aspects of the Company's business involve substantial risks of liability. In the normal course of business, the Company has been the subject of customer complaints and has been named as a defendant or co-defendant in various lawsuits or arbitrations creating substantial exposure. The incidences of these types of claims have increased since the onset of the credit crisis and the resulting market disruptions. The Company is also involved from time to time in certain governmental and self-regulatory agency investigations and proceedings. These proceedings arise primarily from securities brokerage, asset management and investment banking activities. There has been an increased incidence of regulatory investigations in the financial services industry in recent years, including customer claims, which seek substantial penalties, fines or other monetary relief.

While the ultimate resolution of routine pending litigation and other matters cannot be currently determined, in the opinion of management, after consultation with legal counsel, the Company does not believe that the resolution of these matters will have a material adverse effect on its financial condition. However, the Company's results of operations could be materially affected during any period if liabilities in that period differ from prior estimates.

Notwithstanding the foregoing, an adverse result in any of the matters set forth below or multiple adverse results in arbitrations and litigations currently filed or to be filed against the Company, including arbitrations and litigations relating to auction rate securities, would have a material adverse effect on the Company's results of operations and financial condition, including its cash position. There are currently eight auction rate arbitrations, including the U.S. Airways arbitration discussed in more detail below, scheduled to commence prior to December 31, 2011.

The materiality of legal matters to the Company's future operating results depends on the level of future results of operations as well as the timing and ultimate outcome of such legal matters. See *Risk Factors*. The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, as well as *Factors Affecting Forward-Looking Statements* and *Management's Discussion and Analysis of Financial Condition and Results of Operations*. *Regulatory and Legal Environment*, *Other Regulatory Matters* and *Other Matters*.

Auction Rate Securities Matters

For a number of years, the Company offered auction rate securities (ARS) to its clients. A significant portion of the market in ARS failed in February 2008 due to credit market conditions, and dealers were no longer willing or able to purchase the imbalance between supply and demand for ARS. See *Risk Factors*. The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 as well as *Management's Discussion and Analysis of Financial Condition and Results of Operations*, *Regulatory and Legal Environment*, *Other Regulatory Matters* and *Other Matters*.

Table of Contents

Oppenheimer offered ARS to its clients in the same manner as dozens of other downstream firms in the ARS marketplace as an available cash management option for clients seeking to increase their yields on short-term investments similar to a money market fund. The Company believes that Oppenheimer's participation therefore differs dramatically from that of the larger broker-dealers who underwrote and provided supporting bids in the auctions and who subsequently entered into settlements with state and federal regulators, agreeing to purchase billions of dollars of their clients' ARS holdings. Unlike these other broker-dealers, Oppenheimer did not act as the lead or sole lead managing underwriter or dealer in any ARS auctions during the relevant time period, did not enter support bids to ensure that any ARS auctions cleared, and played no role in any decision by the lead underwriters or broker-dealers to discontinue entering support bids and allowing auctions to fail.

As previously disclosed, Oppenheimer entered into a Consent Order (the "Order") pursuant to the Massachusetts Uniform Securities Act on February 26, 2010 settling a pending administrative proceeding against the respondents related to Oppenheimer's sales of ARS to retail and other investors in the Commonwealth of Massachusetts. Oppenheimer did not admit or deny any of the findings or allegations contained in the underlying administrative complaint. Oppenheimer agreed to pay, and has paid, the external costs incurred by the Massachusetts Securities Division (the "MSD") related to the investigation and the administrative proceeding in the amount of \$250,000.

As previously disclosed, on February 23, 2010, the New York Attorney General ("NYAG") accepted Oppenheimer's offer of settlement and entered an Assurance of Discontinuance ("AOD") pursuant to New York State Executive Law Section 63(15) in connection with Oppenheimer's marketing and sale of ARS. Oppenheimer did not admit or deny any of the findings or allegations contained in the AOD and no fine was imposed.

Pursuant to the terms of the Order, Oppenheimer commenced several offers to purchase Eligible ARS (as defined in the Order) from Customer Accounts (as defined in the Order) during 2010. Pursuant to the Order, the Company made an initial offer to purchase ARS from Massachusetts customers on May 21, 2010 which closed on August 4, 2010. Pursuant to the Order, on August 19, 2010, Oppenheimer commenced a second offer to purchase Eligible ARS from Massachusetts customers which closed on October 6, 2010. In addition, pursuant to the terms of the AOD, the Company made an initial offer to purchase ARS from Eligible Investors on May 21, 2010 which closed on August 4, 2010. Pursuant to the AOD, on December 3, 2010, Oppenheimer commenced an additional offer to purchase Eligible ARS from Eligible Investors which closed on February 16, 2011. On February 15, 2011, Oppenheimer commenced a third and final offer to purchase additional Eligible ARS from all eligible Massachusetts Customer Accounts which offer closed April 7, 2011. On May 6, 2011, pursuant to the AOD, Oppenheimer commenced an additional offer to purchase Eligible ARS from Eligible Investors who did not receive an initial purchase offer which offer closed on July 22, 2011. Accounts were, and will continue to be, aggregated on a household basis for purposes of these offers. As at June 30, 2011, the Company had purchased approximately \$74.1 million of ARS from its clients pursuant to these offers (of which \$6.8 million was subsequently redeemed by issuers) and expects to purchase at least an additional \$6.0 million of ARS from its clients under the current client purchase offer.

The Company's purchases of ARS from clients will continue on a periodic basis pursuant to the settlements with the Regulators. Oppenheimer has agreed with the NYAG that it will offer to purchase Eligible ARS from Eligible Investors who did not receive an initial purchase offer periodically, as excess funds become available to Oppenheimer after giving effect to the financial and regulatory capital constraints applicable to Oppenheimer, until Oppenheimer has extended a purchase offer to all Eligible Investors. Such offers will remain open for a period of seventy-five days from the date on which each such offer to purchase is sent. The ultimate amount of ARS to be repurchased by the Company cannot be predicted with any certainty and will be impacted by redemptions by issuers and client actions during the period, which also cannot be predicted.

Table of Contents

In addition, Oppenheimer has agreed to work with issuers and other interested parties, including regulatory and other authorities and industry participants, to provide liquidity solutions for other Massachusetts clients not covered by the offers to purchase. In that regard, on May 21, 2010, Oppenheimer offered such clients a margin loan against marginable collateral with respect to such account holders' holdings of Eligible ARS. As of June 30, 2011, Oppenheimer had extended margin loans to five holders of Eligible ARS from Massachusetts.

Further, Oppenheimer has agreed to (1) no later than 75 days after Oppenheimer has completed extending a purchase offer to all Eligible Investors (as defined in the AOD), use its best efforts to identify any Eligible Investors who purchased Eligible ARS (as defined in the AOD) and subsequently sold those securities below par between February 13, 2008 and February 23, 2010 and pay the investor the difference between par and the price at which the Eligible Investor sold the Eligible ARS, plus reasonable interest thereon (the "ARS Losses"); (2) no later than 75 days after Oppenheimer has completed extending a Purchase Offer to all Eligible Investors, use its best efforts to identify Eligible Investors who took out loans from Oppenheimer after February 13, 2008 that were secured by Eligible ARS that were not successfully auctioning at the time the loan was taken out from Oppenheimer and who paid interest associated with the ARS-based portion of those loans in excess of the total interest and dividends received on the Eligible ARS during the duration of the loan (the "Loan Cost Excess") and reimburse such investors for the Loan Cost Excess plus reasonable interest thereon; (3) upon providing liquidity to all Eligible Investors, participate in a special arbitration process for the exclusive purpose of arbitrating any Eligible Investor's claim for consequential damages against Oppenheimer related to the investor's inability to sell Eligible ARS; and (4) work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors not within the definition of Small Businesses and Institutions (as defined in the AOD) that held ARS in Oppenheimer brokerage accounts on February 13, 2008. Oppenheimer believes that because items (1) through (3) above will occur only after it has provided liquidity to all Eligible Investors, it will take an extended period of time before the requirements of items (1) through (3) will take effect.

Each of the AOD and the Order provides that in the event that Oppenheimer enters into another agreement that provides any form of benefit to any Oppenheimer ARS customer on terms more favorable than those set forth in the AOD or the Order, Oppenheimer will immediately extend the more favorable terms contained in such other agreement to all eligible investors. In the case of the Order, it is limited to more favorable agreements entered into subsequent to the February 26, 2010 Order while, in the case of the AOD, it covers more favorable agreements entered into prior and subsequent to the February 23, 2010 AOD. The AOD further provides that if Oppenheimer pays (or makes any pledge or commitment to pay) to any governmental entity or regulator pursuant to any other agreement costs or a fine or penalty or any other monetary amount, then an equivalent payment, pledge or commitment will become immediately owed to the State of New York for the benefit of New York residents.

If Oppenheimer fails to comply with any of the terms set forth in the Order, the MSD may institute an action to have the Order declared null and void and reinstitute the previously pending administrative proceedings. If Oppenheimer defaults on any obligation under the AOD, the NYAG may terminate the AOD, at his sole discretion, upon 10 days written notice to Oppenheimer.

Reference is made to the Order between the MSD and Oppenheimer et. al, described in Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and attached as Exhibit 10.24 thereto, as well as the disclosures related thereto in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010, September 30, 2010 and March 31, 2011 and in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, for additional details of the agreements with the MSD. Reference is also made to the AOD between the NYAG and Oppenheimer, described in Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and attached as Exhibit 10.22 thereto, as well as the disclosures related thereto in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010, June 30, 2010, September 30, 2010 and March 31, 2011 and in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, for additional details of the agreements with the NYAG.

Table of Contents

The Company is continuing to cooperate with investigating entities from states other than Massachusetts and New York.

In February 2009, Oppenheimer received notification of a filing of an arbitration claim before FINRA captioned *U.S. Airways v. Oppenheimer & Co. Inc., et. al* seeking an award compelling Oppenheimer to purchase approximately \$250 million in ARS previously purchased by U.S. Airways through Oppenheimer (which has subsequently been reduced to a \$110 million liquidated damages claim) or, alternatively, an award rescinding such sale. Plaintiffs seek an award of punitive damages from Oppenheimer as well as interest on such award. Plaintiff bases its claims on numerous causes of action including, but not limited to, fraud, gross negligence, misrepresentation and suitability. U.S. Airways is a publicly-traded corporation that bought and sold ARS for many years through several broker dealers, not just Oppenheimer. It is also a Qualified Institutional Buyer (as defined in Rule 144A of the Securities Exchange Act of 1934) and purchased ARS for cash management purposes. On July 10, 2009, Oppenheimer asserted a third party statement of claim against Deutsche Bank Securities, Inc. (DBSI) and Deutsche Bank A.G. (Deutsche AG). Deutsche AG challenged Oppenheimer's efforts to compel that entity to appear at a FINRA arbitration, since, Deutsche AG argued, it is not a FINRA member. Subsequently, Oppenheimer deferred further action against Deutsche AG and proceeded prosecuting its third party claim against DBSI. At the same time, Oppenheimer filed its answer denying any liability to U.S. Airways. DBSI subsequently filed a motion to sever the arbitration into a separate proceeding which motion was granted on July 28, 2010. To the extent there is a determination by an arbitration panel that U.S. Airways has been harmed, Oppenheimer's third party statement of claim against DBSI alleges that DBSI is liable to U.S. Airways because of its role in the process of creating, marketing and procuring ratings for certain auction rate credit-linked notes purchased by U.S. Airways. The arbitration with U.S. Airways is currently scheduled to commence in September 2011. No date has yet been set for the arbitration with the DBSI. On January 28, 2011, DBSI filed a motion to stay the DBSI arbitration. Oppenheimer filed its opposition to the DBSI motion to stay on February 25, 2011. On May 25, 2011, the arbitration panel granted DBSI's motion to stay the DBSI arbitration. On June 10, 2011, Oppenheimer filed a motion for reconsideration of the arbitration panel's decision to stay the arbitration which motion for reconsideration was denied on July 14, 2011. Oppenheimer believes it has meritorious defenses to the claims made and intends to vigorously defend itself against the allegations in the *U.S. Airways* action.

In April 2009, Oppenheimer was served with a complaint in the United States District Court, Eastern District of Kentucky captioned *Ashland, Inc. and Ash Three, LLC v. Oppenheimer & Co. Inc.* seeking compensatory and consequential damages as a result of plaintiff's purchase of approximately \$194 million in ARS. Plaintiff sought an award of punitive damages from Oppenheimer as well as interest on such award. Plaintiff based its claim on numerous causes of action including, but not limited to, fraud, gross negligence, misrepresentation and suitability. Ashland is a publicly-traded corporation that bought and sold ARS for many years through several broker dealers, not just Oppenheimer. It is also a Qualified Institutional Buyer (as defined in Rule 144A of the Securities Exchange Act of 1934) and purchased ARS for cash management purposes. The court granted Oppenheimer's motion to dismiss this action with prejudice on February 22, 2010. Plaintiff filed an appeal of this dismissal with the United States Court of Appeals for the Sixth Circuit on March 19, 2010. On July 28, 2011, the Court of Appeals for the Sixth Circuit affirmed the District Court's Order dismissing plaintiff's complaint with prejudice.

Table of Contents

In February 2009, the Company was served with an arbitration claim before FINRA captioned *Hansen Beverage Company v. Oppenheimer & Co. Inc., et. al.* Hansen demands that its investments in approximately \$60 million in ARS, which are illiquid and which Hansen purchased from Oppenheimer, be rescinded. The claim alleges that Oppenheimer misrepresented liquidity and market risks in the ARS market when recommending ARS to Hansen. Oppenheimer has filed its response to the claim and also filed a motion to dismiss respondents Oppenheimer Holdings (Holdings) and Oppenheimer Asset Management as parties improperly named in the arbitration. Oppenheimer Asset Management was dismissed from the proceeding without prejudice on July 14, 2009. The arbitration was scheduled to commence with the remaining parties in June 2011. On June 21, 2011, Oppenheimer and Hansen entered into a settlement agreement (the Settlement Agreement). Pursuant to the Settlement Agreement, Oppenheimer agreed to (i) pay, and has paid, Hansen \$1.6 million, and (ii) grant to Hansen a put option, exercisable on or after July 1, 2013, pursuant to which Hansen may obligate Oppenheimer to purchase up to (a) \$1 million par value of ARS then held by Hansen on or after July 1, 2013, (b) \$1 million par value of ARS then held by Hansen on or after October 1, 2013, and (c) commencing on or after January 1, 2014 and on or after the first day of each calendar quarter for each of the following nine (9) quarters, ARS having a par value equal to ten percent (10%) of all ARS held and not redeemed or sold by Hansen prior to January 1, 2014 (the Quarterly ARS Option Amount); provided that each Quarterly ARS Option Amount shall be reduced by fifty percent (50%) of the par value of any ARS redeemed or sold in the immediately preceding quarter; and provided, further, that the Quarterly ARS Option Amount for each quarter in 2014 shall not be less than \$1 million. At June 30, 2011, Hansen owned approximately \$24.5 million par value of ARS (which has subsequently been reduced to \$21.9 million par value of ARS) that would be subject to the Quarterly ARS Option Amount. In consideration of the foregoing, Hansen agreed to (i) dismiss all claims against Oppenheimer with prejudice, (ii) dismiss all claims against Holdings without prejudice (and Holdings agreed to toll any statute of limitations until such time as Oppenheimer has performed its obligations under the Settlement Agreement), and (iii) grant to Oppenheimer a call option to purchase from Hansen any ARS held by Hansen and not previously redeemed, sold or designated to be put to Oppenheimer as part of a Quarterly ARS Option Amount.

In August 2009, Oppenheimer received notification of the filing of an arbitration claim before FINRA captioned *Investec Trustee (Jersey) Limited as Trustee for The St. Paul s Trust v. Oppenheimer & Co. Inc. et. al* seeking an award ordering Oppenheimer to repurchase approximately \$80 million in ARS previously purchased by Investec as Trustee for the St. Paul s Trust, and seeking additional damages of \$7.5 million as a result of claimant s liquidation of certain ARS positions in a private securities transaction. Oppenheimer believes that claimant s current ARS holdings are approximately \$44.5 million par value, with the difference resulting from issuer redemptions. Oppenheimer filed its answer denying any liability to the claimant and asserted a counter-claim against Investec as Trustee for the Trust, alleging that Investec, and not Oppenheimer or its representatives, owed a fiduciary duty to the St. Paul s Trust and violated that duty. On July 15, 2010, Investec as Trustee moved in the Supreme Court of the State of New York for a partial stay of the arbitration, arguing that Oppenheimer s claim against Investec as Trustee is in reality a claim against Investec itself and that Oppenheimer is inappropriately seeking damages against Investec. On January 4, 2011, the New York State Supreme Court denied Investec s application for a partial stay. Investec filed a notice of appeal to the New York State Appellate Division, First Department on January 28, 2011. On February 9, 2011, Oppenheimer filed its opposition to Investec s motion for a partial stay of the arbitration proceedings and cross-moved for a stay of the arbitration in its entirety and an adjournment of the appeal until the Appellate Division s June 2011 term. On March 8, 2011, Oppenheimer s cross-motion was granted and the arbitration was stayed. On June 16, 2011, the Appellate Division issued an order lifting the stay. The arbitration has subsequently been rescheduled to commence in April 2012.

Table of Contents

At the same time Oppenheimer filed its answer in the *Investec* matter discussed in the previous paragraph, Oppenheimer asserted third party claims against the underwriters of the ARS still held by claimant. Oppenheimer argued in its third party arbitration claim that those underwriters are liable to claimant because of their role in the processing, trading, marketing and supporting of the ARS still held by claimant and for other actions by the underwriters which lead to the interruption in the ARS market. The underwriters filed a motion to sever the arbitration into a separate proceeding which motion was granted on June 18, 2010 along with a stay of the arbitration against the underwriters. No date has yet been set for the arbitration with the underwriters. Oppenheimer believes it has meritorious defenses to the claims made as well as third party claims and intends to vigorously defend itself in this matter.

As of June 30, 2011, Oppenheimer and certain affiliated parties are currently named as a defendant or respondent in approximately 31 arbitration claims before FINRA, brought by individuals and entities who purchased ARS through Oppenheimer in amounts ranging from \$25,000 to \$15 million, as well as five court actions brought in various jurisdictions, seeking awards compelling Oppenheimer to repurchase such ARS or, alternatively, awards rescinding such sales, based on a variety of causes of action similar to those described above. The Company has filed, or is in the process of filing, its responses to such claims and has participated in or is awaiting hearings regarding such claims before FINRA or in the court actions. As of June 30, 2011, five ARS matters were concluded in either court or arbitration with Oppenheimer prevailing in three of those matters and the claimants prevailing in two of those matters. The Company has purchased approximately \$1 million in ARS from the prevailing claimants in those two actions. In addition, the Company is committed to purchase another \$49.1 million in ARS from clients through 2016 and pay approximately \$2.5 million as a result of legal settlements with clients. Oppenheimer believes it has meritorious defenses to the claims in the pending arbitrations and court actions and intends to vigorously defend against these claims. Oppenheimer may also implead third parties, including underwriters where it believes such action is appropriate. It is possible that other individuals or entities that purchased ARS from Oppenheimer may bring additional claims against Oppenheimer in the future for repurchase or rescission.

See the Risk Factors The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market, and Note 13 to the consolidated financial statements appearing in Item 8 in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 as well as Management's Discussion and Analysis of Financial Condition and Results of Operations Regulatory and Legal Environment Other Regulatory Matters and Other Matters.

Other Pending Matters

In addition to the ARS cases discussed above, on or about March 13, 2008, Oppenheimer was served in a matter pending in the United States Bankruptcy Court, Northern District of Georgia, captioned *William Perkins, Trustee for International Management Associates v. Lehman Brothers, Oppenheimer & Co. Inc., JB Oxford & Co., Bank of America Securities LLC and TD Ameritrade Inc.* The Trustee seeks to set aside as fraudulent transfers in excess of \$25 million in funds embezzled by the sole portfolio manager for International Management Associates, a hedge fund. Said portfolio manager purportedly used the broker dealer defendants, including Oppenheimer, as conduits for his

Table of Contents

embezzlement. Oppenheimer filed its answer to the complaint on June 18, 2010. Oppenheimer filed a motion for summary judgment, which was argued on March 31, 2011. Immediately thereafter, the Bankruptcy Court dismissed all of the Trustee's claims against all defendants including Oppenheimer. In June 2011, the Trustee filed an appeal with the United States District Court for the Northern District of Georgia. In addition, on June 10, 2011, the Trustee filed a petition for permission to appeal the dismissal with the United States Court of Appeals for the Eleventh Circuit. On July 27, 2011, the Court of Appeals for the Eleventh Circuit denied the Trustee's Petition. Oppenheimer believes it has meritorious defenses to the claims made against it and intends to defend itself vigorously.

In March 2010, the Company received a notice from counsel representing a receiver appointed by a state district court in Oklahoma (the Receiver) to oversee a liquidation proceeding of Providence Property and Casualty Insurance Company (Providence), an Oklahoma insurance company. That notice demanded the return of Providence's municipal bond portfolio of approximately \$55 million that had been custodied at Oppenheimer beginning in January 2009. In January 2009, the municipal bond portfolio had been transferred to an insurance holding company, Park Avenue Insurance LLC (Park Avenue), as part of a purchase and sale transaction. Park Avenue used the portfolio as collateral for a margin loan used to fund the purchase of Providence from Providence's parent. On October 19, 2010, Oppenheimer was named as a co-defendant in a complaint filed by the Receiver in state district court for Oklahoma County, Oklahoma captioned *State of Oklahoma, ex rel. Kim Holland, Insurance Commissioner, as Receiver for Park Avenue Property and Casualty Insurance Company v. Providence Holdings, Inc., Falcon Holdings, LLC et. al* alleging, that all defendants conspired to unlawfully transfer the assets of Providence to Park Avenue. In addition to Oppenheimer, the complaint names as defendants nine individuals alleging they were members of the board of directors of Oppenheimer & Co. Inc. during the time period at issue. In fact, for the time period alleged, six of these individuals were not members of such board. The complaint was subsequently amended to name three individuals including the Chairman and Chief Executive Officer, who is the only individual who has been served, who were directors of Oppenheimer & Co. Inc. at the time of the events in question. The complaint alleges causes of action for negligence, breach of fiduciary duty and trespass to chattel and/or conversion and seeks actual damages of \$102 million, punitive damages, interest and costs, including attorneys' fees. Oppenheimer moved to remove the matter to the United States District Court, Western District of Oklahoma on December 2, 2010. Thereafter, the Receiver moved to remand the matter to the District Court of Oklahoma County, Oklahoma. Oppenheimer filed its opposition to this motion on February 3, 2011; the motion to remand was granted on February 24, 2011. On January 18, 2011 and March 28, 2011, motions to dismiss the complaint were filed on behalf of Oppenheimer and the Chairman and Chief Executive Officer, respectively. On June 17, 2011, the motion to dismiss Oppenheimer was deferred and the motion to dismiss the Chairman and Chief Executive Officer was granted in its entirety. Discovery has not yet commenced. Oppenheimer believes it has meritorious defenses to the claims raised and intends to defend against these claims vigorously.

On June 24, 2011, Oppenheimer was served with a petition in a matter pending in state court in Collin County, Texas captioned *Jerry Lancaster, Providence Holdings, Inc., Falcon Holdings, LLC and Derek Lancaster v. Oppenheimer & Co., Inc., Oppenheimer Trust Company, Charles Antonuicci, Alan Reichman, John Carley, Park Avenue Insurance, LLC and Park Avenue Bank*. The action requests unspecified damages, including exemplary damages, for Oppenheimer's alleged breach of fiduciary duty, negligent hiring, fraud, conversion, conspiracy, breach of contract, unjust enrichment and violation of the Texas Business and Commerce Code. The first amended petition alleges that Oppenheimer held itself out as having expertise in the insurance industry generally and managing insurance companies' investment portfolios but inappropriately allowed plaintiffs' bond portfolios to be used by Park Avenue Insurance Company to secure the sale of Providence Property and Casualty Insurance Company to Park Avenue Insurance Company. Oppenheimer believes it has meritorious defenses to the claims raised and intends to defend against these claims vigorously including seeking dismissal of the claims against it.

Table of Contents

In September 2010, Oppenheimer was named as a co-defendant in a complaint filed in the United States District Court for the Southern District of New York captioned *TPTCC NY, Inc., The Proton Institute of NY, LLC, and NY Medscan, LLC v. Radiation Therapy Services Inc., New York Proton Management LLC et. al* alleging that all defendants conspired to eliminate plaintiffs as competitors in providing a developing cancer treatment in the Greater New York Area. Oppenheimer provided certain investment banking services to the various parties. The complaint alleges causes of action for violation of the Sherman Act, conversion, misappropriation of trade secrets, unfair competition, and breaches of fiduciary duty and contract, and requests damages of \$350 million, punitive damages and injunctive relief. On November 12, 2010, Oppenheimer filed its motion to dismiss plaintiffs' complaint, and thereafter plaintiffs filed their First Amended Complaint. On January 7, 2011, Oppenheimer refiled its motion to dismiss the First Amended Complaint which motion was granted in its entirety on February 25, 2011. On June 3, 2011, the plaintiffs filed an appeal of this dismissal with the United States Court of Appeals for the Second Circuit. Oppenheimer believes it has meritorious defenses to the claims raised and intends to defend against those claims vigorously.

ITEM 1A. Risk Factors

During the three months ended June 30, 2011, there were no material changes to the information contained in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2010.

The recent downgrade of U.S. Long Term Sovereign debt obligations may adversely affect markets and other business.

On August 5, 2011, Standard & Poor's lowered its long term sovereign credit rating on the United States of America from AAA to AA+. While the ultimate impact of such action is inherently unpredictable, this downgrade could have material adverse impact on financial markets and economic conditions throughout the world, including, specifically, the United States. Moreover, the market's anticipation of these impact could have a material adverse effect on our business, financial condition and liquidity. Various types of financial markets, including, but not limited to, money markets, long-term or short-term fixed income markets, foreign exchange markets, commodities markets and equity markets may be adversely affected by these impacts. In addition, the cost and availability of funding and certain impacts, such as increased spreads in money market and other short term rates, have been experienced already as the market anticipated the downgrade.

The negative impacts that may result from this downgrade or any future downgrade could adversely affect our credit ratings, as well as those of our clients and/or counterparties and could require us to post additional collateral on loans collateralized by U.S. Treasury securities. The unprecedented nature of this and any future negative credit rating actions with respect to U.S. government obligations will make any impact on our business, financial condition and liquidity unpredictable. In addition any such impact may not be immediately apparent.

In addition, global markets and economic conditions have been negatively impacted by the ability of certain European Union (EU) member states to service their sovereign debt obligations. The continued uncertainty over the outcome of the EU governments' financial support programs and the possibility that other EU member states may experience similar financial troubles could further disrupt global markets and may negatively impact our business, financial condition and liquidity.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds

- (a) See the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on April 12, 2011.
- (b) Proceeds from the Company's April 12, 2011 private placement of \$200.0 million of 8.75% Senior Secured Notes due April 15, 2018 were used to retire the Senior Secured Credit Note due 2013 (\$22.4 million) and the Subordinated Note due 2014 (\$100.0 million) and for other general corporate purposes.
- (c) Not applicable.

ITEM 6. Exhibits

- (d) Exhibits

Edgar Filing: OPPENHEIMER HOLDINGS INC - Form 10-Q

Lease dated July 15, 2011 between 85 Broad Street LLC, Landlord and Viner Finance Inc., Tenant for premises at 85 Broad Street, New York, NY

31.1 Certification of Albert G. Lowenthal

31.2 Certification of Elaine K. Roberts

32 Certification of Albert G. Lowenthal and Elaine K. Roberts

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of New York, New York on this 9th day of August, 2011.

OPPENHEIMER HOLDINGS INC.

By: A.G. Lowenthal
A.G. Lowenthal, Chairman and Chief Executive
Officer
(Principal Executive Officer)

By: E.K. Roberts
E.K. Roberts, President and Treasurer and Principal
Financial Officer
(Principal Financial and Accounting Officer)