

OPPENHEIMER HOLDINGS INC  
Form 10-Q  
October 27, 2017  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2017

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 98-0080034  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
85 Broad Street  
New York, New York 10004  
(Address of principal executive offices) (Zip Code)  
(212) 668-8000  
(Registrant's Telephone number, including area code)  
(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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the 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 October 27, 2017 was 13,009,648 and 99,665 shares, respectively.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements (unaudited)

## OPPENHEIMER HOLDINGS INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(Expressed in thousands, except number of shares and per share amounts)	September 30, 2017	December 31, 2016
<b>ASSETS</b>		
Cash and cash equivalents	\$44,794	\$64,913
Deposits with clearing organizations	44,201	38,185
Receivable from brokers, dealers and clearing organizations	248,891	214,934
Receivable from customers, net of allowance for credit losses of \$782 (\$794 in 2016)	775,602	847,386
Income tax receivable	5,061	5,816
Securities purchased under agreements to resell	—	24,006
Securities owned, including amounts pledged of \$642,501 (\$438,385 in 2016), at fair value	1,037,463	707,108
Notes receivable, net of accumulated amortization and allowance for uncollectibles of \$24,694 and \$7,519, respectively (\$24,826 and \$6,784, respectively, in 2016)	38,241	30,099
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$87,861 (\$84,073 in 2016)	26,554	27,233
Intangible assets	31,700	31,700
Goodwill	137,889	137,889
Other assets	118,005	107,661
Total assets	\$2,508,401	\$2,236,930
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Drafts payable	\$26,480	\$39,228
Bank call loans	130,100	145,800
Payable to brokers, dealers and clearing organizations	247,479	221,389
Payable to customers	396,515	449,946
Securities sold under agreements to repurchase	398,650	378,084
Securities sold but not yet purchased, at fair value	366,581	85,050
Accrued compensation	130,109	145,053
Accounts payable and other liabilities	91,534	96,557
Senior secured notes, net of debt issuance costs of \$1,199 (\$648 in 2016)	198,801	149,352
Deferred tax liabilities, net of deferred tax assets of \$60,919 (\$59,062 in 2016)	17,377	13,137
Total liabilities	2,003,626	1,723,596
Commitments and contingencies (Note 11)		
<b>Stockholders' equity</b>		
<b>Share capital</b>		
Class A non-voting common stock, par value \$0.001 per share, 50,000,000 shares authorized, 13,009,648 and 13,261,095 shares issued and outstanding as of September 30, 2017 and December 31, 2016, respectively	55,989	59,228
Class B voting common stock, par value \$0.001 per share, 99,665 shares authorized, issued and outstanding	133	133
	56,122	59,361
Contributed capital	39,845	41,765
Retained earnings	407,179	410,258

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Accumulated other comprehensive income (loss)	1,272	(681 )
Total Oppenheimer Holdings Inc. stockholders' equity	504,418	510,703
Noncontrolling interest	357	2,631
Total stockholders' equity	504,775	513,334
Total liabilities and stockholders' equity	\$2,508,401	\$2,236,930

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

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## OPPENHEIMER HOLDINGS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Expressed in thousands, except number of shares and per share amounts)	2017	2016	2017	2016
<b>REVENUE</b>				
Commissions	\$77,635	\$90,023	\$248,204	\$286,447
Advisory fees	74,329	67,452	216,521	199,582
Investment banking	23,940	20,280	57,347	51,544
Interest	12,952	11,291	36,346	36,340
Principal transactions, net	5,135	4,922	15,810	19,117
Other	32,229	17,836	81,137	45,804
Total revenue	226,220	211,804	655,365	638,834
<b>EXPENSES</b>				
Compensation and related expenses	142,090	142,308	428,625	432,524
Communications and technology	17,781	17,201	53,886	52,519
Occupancy and equipment costs	15,288	14,909	45,721	44,796
Clearing and exchange fees	5,622	5,886	17,392	19,006
Interest	6,500	4,687	18,710	14,526
Other	27,111	28,623	87,865	89,859
Total expenses	214,392	213,614	652,199	653,230
Income (Loss) before income taxes from continuing operations	11,828	(1,810)	3,166	(14,396)
Income taxes	4,425	(751)	2,464	(7,190)
Net income (loss) from continuing operations	7,403	(1,059)	702	(7,206)
Discontinued operations				
Income from discontinued operations	769	888	1,834	15,597
Income taxes	308	475	733	6,235
Net income from discontinued operations	461	413	1,101	9,362
Net income (loss)	7,864	(646)	1,803	2,156
Less net income attributable to noncontrolling interest, net of tax	75	66	180	1,527
Net income (loss) attributable to Oppenheimer Holdings Inc.	\$7,789	\$(712)	\$1,623	\$629
Basic net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	\$0.56	\$(0.08)	\$0.05	\$(0.54)
Discontinued operations	0.03	0.03	0.07	0.59
Net income (loss) per share	\$0.59	\$(0.05)	\$0.12	\$0.05
Diluted net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	\$0.54	\$(0.08)	\$0.05	\$(0.54)
Discontinued operations	0.03	0.03	0.07	0.59
Net income (loss) per share	\$0.57	\$(0.05)	\$0.12	\$0.05
Dividends declared per share	\$0.11	\$0.11	\$0.33	\$0.33
Weighted average shares				

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Basic	13,213,138	13,366,863	13,290,399	13,371,296
Diluted	13,763,516	13,366,863	13,790,136	13,371,296

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

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## OPPENHEIMER HOLDINGS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(Expressed in thousands)	2017	2016	2017	2016
Net income (loss)	\$ 7,864	\$ (646 )	\$ 1,803	\$ 2,156
Other comprehensive income (loss), net of tax <sup>(1)</sup>				
Currency translation adjustment	(251 )	681	1,953	900
Comprehensive income	7,613	35	3,756	3,056
Net income attributable to noncontrolling interest, net of tax	75	66	180	1,527
Comprehensive income (loss) attributable to Oppenheimer Holdings Inc.	\$ 7,538	\$ (31 )	\$ 3,576	\$ 1,529

(1) No other comprehensive income (loss) is attributable to noncontrolling interests.

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



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## OPPENHEIMER HOLDINGS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30,

(Expressed in thousands)	2017	2016
Share capital		
Balance at beginning of period	\$59,361	\$57,520
Issuance of Class A non-voting common stock	4,225	5,776
Repurchase of Class A non-voting common stock for cancellation	(7,464 )	(3,832 )
Balance at end of period	56,122	59,464
Contributed capital		
Balance at beginning of period	41,765	44,438
Tax deficiency from share-based awards	—	(751 )
Share-based expense	4,112	3,955
Vested employee share plan awards	(6,457 )	(7,117 )
Other	425	—
Balance at end of period	39,845	40,525
Retained earnings		
Balance at beginning of period	410,258	417,001
Net income attributable to Oppenheimer Holdings Inc.	1,623	629
Dividends paid (\$0.33 per share)	(4,394 )	(4,417 )
Dividends received from noncontrolling interest	6	295
Other	(314 )	—
Balance at end of period	407,179	413,508
Accumulated other comprehensive income (loss)		
Balance at beginning of period	(681 )	(901 )
Currency translation adjustment	1,953	900
Balance at end of period	1,272	(1 )
Total Oppenheimer Holdings Inc. stockholders' equity	504,418	513,496
Noncontrolling interest		
Balance at beginning of period	2,631	7,024
Net income attributable to noncontrolling interest, net of tax	180	1,527
Dividends paid to noncontrolling interest	(2,448 )	(5,740 )
Dividends paid to parent	(6 )	(295 )
Balance at end of period	357	2,516
Total stockholders' equity	\$504,775	\$516,012

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

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## OPPENHEIMER HOLDINGS INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

## FOR THE NINE MONTHS ENDED SEPTEMBER 30,

(Expressed in thousands)	2017	2016
Cash flows from operating activities		
Net income for the period	\$ 1,803	\$ 2,156
Adjustments to reconcile net income to net cash used in operating activities		
Non-cash items included in net income:		
Depreciation and amortization of furniture, equipment and leasehold improvements	4,185	4,366
Deferred income taxes	4,240	(4,473 )
Amortization of notes receivable	8,658	9,844
Amortization of debt issuance costs	287	363
Write-off of debt issuance costs	430	—
Amortization of mortgage servicing rights	—	44
Reversal of credit losses	(12 )	(42 )
Share-based compensation	3,517	3,230
Tax deficiency from share-based awards	—	(751 )
Gain on sale of assets	—	(17,526 )
Decrease (increase) in operating assets:		
Deposits with clearing organizations	(6,016 )	13,876
Receivable from brokers, dealers and clearing organizations	(33,957 )	105,196
Receivable from customers	71,796	42,349
Income tax receivable	755	8,965
Securities purchased under agreements to resell	24,006	206,499
Securities owned	(330,355)	(293,103)
Notes receivable	(16,800 )	(8,115 )
Loans held for sale	—	60,234
Mortgage servicing rights	—	169
Other assets	(9,585 )	(10,647 )
Increase (decrease) in operating liabilities:		
Drafts payable	(12,748 )	(16,597 )
Payable to brokers, dealers and clearing organizations	26,090	(10,378 )
Payable to customers	(53,431 )	(77,152 )
Securities sold under agreements to repurchase	20,566	(123,332)
Securities sold but not yet purchased	281,531	169,014
Accrued compensation	(14,238 )	(29,132 )
Accounts payable and other liabilities	(5,108 )	(59,012 )
Cash used in operating activities	(34,386 )	(23,955 )
Cash flows from investing activities		
Purchase of furniture, equipment and leasehold improvements	(3,506 )	(4,397 )
Proceeds from sale of assets	—	47,562
Proceeds from the settlement of company-owned life insurance	1,194	—
Cash (used in) provided by investing activities	(2,312 )	43,165
Cash flows from financing activities		
Cash dividends paid on Class A non-voting and Class B voting common stock	(4,394 )	(4,417 )
Cash dividends paid to noncontrolling interest	(2,448 )	(5,740 )
Repurchase of Class A non-voting common stock for cancellation	(7,464 )	(3,832 )

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Payments for employee taxes withheld related to vested share-based awards	(2,232 )	(1,341 )
Issuance of senior secured notes	200,000	—
Redemption of senior secured notes	(150,000)	—
Debt issuance costs	(1,183 )	—
Increase in bank call loans, net	(15,700 )	31,800
Cash provided by financing activities	16,579	16,470
Net (decrease) increase in cash and cash equivalents	(20,119 )	35,680
Cash and cash equivalents, beginning of period	64,913	63,364
Cash and cash equivalents, end of period	\$44,794	\$99,044
Schedule of non-cash financing activities		
Employee share plan issuance	\$4,225	\$5,776
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	\$17,711	\$11,678
Cash received during the period for income taxes, net	\$2,354	\$4,023

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

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OPPENHEIMER HOLDINGS INC.

Notes to Condensed Consolidated Financial Statements (unaudited)

1. Organization and basis of presentation

Organization

Oppenheimer Holdings Inc. ("OPY") is incorporated under the laws of the State of Delaware. The condensed consolidated financial statements include the accounts of OPY and its subsidiaries (together, the "Company"). The Company engages in a broad range of activities in the financial services 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.

The Company provides its services from 93 offices in 24 states located throughout the United States and in 5 foreign jurisdictions. The principal subsidiaries of OPY are Oppenheimer & Co. Inc. ("Oppenheimer"), a registered broker-dealer in securities and investment adviser under the Investment Advisers Act of 1940, Oppenheimer Asset Management Inc. ("OAM") and its wholly-owned subsidiary, Oppenheimer Investment Management LLC, both registered investment advisers under the Investment Advisers Act of 1940, Oppenheimer Trust Company of Delaware ("Oppenheimer Trust"), a limited purpose trust company that provides fiduciary services such as trust and estate administration and investment management, OPY Credit Corp., which offers syndication as well as trading of issued corporate loans, Oppenheimer Europe Ltd., based in the United Kingdom, with offices in the Isle of Jersey and Switzerland, which provides institutional equities and fixed income brokerage and corporate financial services and is regulated by the Financial Conduct Authority, and Oppenheimer Investments Asia Limited, based in Hong Kong, China, which provides assistance in accessing the U.S. equities markets and limited mergers and acquisitions advisory services to Asia-based companies, as well as offering fixed income brokerage services to institutional investors, and is regulated by the Securities and Futures Commission. Oppenheimer Multifamily Housing & Healthcare Finance, Inc. ("OMHMF") was formerly engaged in Federal Housing Administration ("FHA")-insured commercial mortgage origination and servicing. During 2016, the Company sold substantially all of the assets of OMHMF and ceased its operations.

Oppenheimer owns Freedom Investments, Inc. ("Freedom"), a registered broker dealer in securities, which provides discount brokerage services, and Oppenheimer Israel (OPCO) Ltd., which is engaged in offering investment services in the State of Israel. Oppenheimer holds a trading permit on the New York Stock Exchange and is a member of several other regional exchanges in the United States.

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The accompanying December 31, 2016 condensed consolidated balance sheet data was derived from the audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions that the Company may undertake in the future, actual results may differ materially from the estimates. The results of operations for the nine month period ended September 30, 2017 are not necessarily indicative of the results to be expected for any future interim or annual period.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Accounting standards require the Company to present noncontrolling interests as a separate component of stockholders' equity on the Company's condensed consolidated balance sheet. As of September 30, 2017, the Company owned 83.68% of OMHHF and the noncontrolling interest recorded on the condensed consolidated balance sheet was \$357,000.

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## 2. New accounting pronouncements

## Recently Issued

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers." The ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Additionally, the ASU expands the disclosure requirements for revenue recognition. In 2016, the FASB additionally issued ASU 2016-08, ASU 2016-10, and ASU 2016-12, which provide further revenue recognition guidance related to principal versus agent considerations, performance obligations and licensing, and narrow-scope improvements and practical expedients. All of these standards are effective either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption, during interim and annual periods beginning after December 15, 2017. The Company's implementation team is performing an in-depth review of the Company's revenue streams and evaluating the impact of the adoption of these updates on the Company's financial condition, results of operations, cash flows, and disclosures. Based on the Company's preliminary assessment, it has determined that the adoption of these updates may defer the timing of the recognition of upfront investment banking advisory fees (e.g., retainer and engagement fees) until completion of the engagement. These upfront fees are currently recognized ratably over the service period. The new guidance may also require underwriting expenses to be recorded on a gross basis while the current guidance requires recognizing underwriting revenues net of related underwriting expenses. In addition, the new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. The Company is continuing its assessment and may identify other revenue streams that will be impacted.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," which revises an entity's accounting related to the classification and measurement of investments in equity securities, changes the presentation of certain fair value changes relating to instrument specific credit risk for financial liabilities and amends certain disclosure requirements associated with the fair value of financial instruments. The ASU is effective for fiscal years beginning after December 15, 2017. The adoption of the ASU will not have a material impact on the Company's condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases." The ASU requires the recognition of a right-of use asset and lease liability on the balance sheet by lessees for those leases classified as operating leases under previous guidance. The ASU is effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of adopting this ASU which it expects will have a material impact on its condensed consolidated financial statements. Since the Company has operating leases in over 100 locations, the Company expects to recognize a significant right-of use asset and lease liability on its condensed consolidated balance sheet upon adoption of this ASU.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which amends the FASB's guidance on the impairment of financial instruments. The ASU adds to U.S. GAAP an impairment model ("current expected credit loss model"). Under this new guidance, an entity recognizes as an allowance its estimate of expected credit losses. The ASU is effective for the fiscal year beginning after December 15, 2019. The Company will not early adopt this ASU. The Company is currently evaluating the impact of the ASU, but the adoption of the ASU is not expected to have a material impact on its condensed consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flow. The ASU is effective for the fiscal year beginning after December 15, 2017 and early adoption is permitted. The Company will not early adopt this ASU. The Company is currently evaluating the impact of the ASU, but the adoption of the ASU is not expected to have a material impact on its condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flow - Restricted Cash," which adds or clarifies guidance on the classification and presentation of restricted cash in the statement of cash flows. The ASU is effective for the fiscal year beginning after December 15, 2017 and early adoption is permitted. The Company will not

early adopt this ASU. The Company is currently evaluating the impact of the ASU, but the adoption of the ASU is not expected to have a material impact on its condensed consolidated financial statements.

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In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other, Simplifying the Test for Goodwill Impairment," which simplifies the subsequent measurement of goodwill. The Company is no longer required to perform its Step 2 goodwill impairment test; instead, the Company should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The ASU is effective for the fiscal year beginning after December 15, 2019 and early adoption is permitted. The Company will not early adopt this ASU. The Company is currently evaluating the impact of the ASU, but the adoption of the ASU is not expected to have a material impact on its condensed consolidated financial statements.

In August 2017, the FASB issued ASU 2017-12, "Targeted Improvements to Accounting for Hedging Activities," which amends the hedge accounting recognition and presentation requirements. The ASU improves the transparency and understandability of information conveyed to financial statement users by better aligning companies' hedging relationship to their existing risk management strategies, simplifies the application of hedge accounting and increases transparency regarding the scope and results of hedging program. The ASU is effective for the fiscal year beginning after December 15, 2019 and early adoption is permitted. The Company will not early adopt this ASU. The Company is currently evaluating the impact of the ASU, but the adoption of the ASU is not expected to have a material impact on its condensed consolidated financial statements.

3. Discontinued operations

OMHMF historically was engaged in the business of originating and servicing FHA-insured multifamily and healthcare facility loans and securitizing these loans into GNMA mortgage backed securities. OMHMF offered mortgage services to developers of commercial properties including apartments, elderly housing and nursing homes that satisfy FHA criteria. OMHMF maintained a mortgage servicing portfolio for which it provided a full array of services, including the collection of mortgage payments from mortgagors which were passed on to the mortgage holders, construction loan management and asset management.

The Company owns an 83.68% controlling interest in OMHMF. The 16.32% noncontrolling interest belongs to one related party who was the President and Chief Executive Officer of OMHMF.

On June 2, 2016, OMHMF entered into a definitive agreement to sell OMHMF's entire portfolio of permanent mortgage loans (consisting of over 480 permanent loans insured by the U.S. Department of Housing and Urban Development), including the associated mortgage servicing rights. On June 20, 2016, OMHMF completed the transaction for cash consideration of approximately \$45.0 million. An amount equal to \$1.4 million was withheld from the purchase price until such time as one loan in the mortgage loan portfolio becomes current or is modified. The Company recorded a net gain of \$14.9 million related to this transaction which was included in discontinued operations in the condensed consolidated statement of operations during the second quarter of 2016. During the second quarter of 2016, OMHMF also sold its business pipeline of mortgage loans for approximately \$1.5 million. During the third quarter of 2016, the Company recognized the \$1.4 million that was withheld from the purchase price of the permanent mortgage loans as a result of the loan being modified as a gain. Also, OMHMF sold its construction loan portfolio and the associated mortgage servicing rights for approximately \$3.8 million.

OMHMF made dividend distributions to the noncontrolling interest in the amounts of \$1.6 million and \$2.4 million during the three and nine month periods ended September 30, 2017, respectively.

The Company determined that the sale of the assets of OMHMF met the criteria to be classified within discontinued operations, and the results of OMHMF are reported as discontinued operations in the condensed consolidated statement of operations.



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The following is a summary of revenue and expenses of OMHMF for the three and nine months ended September 30, 2017 and 2016:

(Expressed in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
<b>REVENUE</b>				
Interest	\$2	\$112	\$7	\$921
Principal transactions, net	—	(2,380)	—	(9,008)
Gain on sale of assets	—	—	—	14,916
Other <sup>(1)</sup>	783	4,073	1,887	16,631
Total revenue	785	1,805	1,894	23,460
<b>EXPENSES</b>				
Compensation and related expenses	1	573	18	4,225
Communications and technology	8	40	20	201
Occupancy and equipment costs	—	37	—	399
Interest	7	28	7	408
Other	—	239	15	2,630
Total expenses	16	917	60	7,863
Income before income taxes	\$769	\$888	\$1,834	\$15,597
Income attributable to noncontrolling interest before income taxes	\$126	\$145	\$299	\$2,545

(1) Other revenue for the three and nine months ended September 30, 2017 was primarily due to an earn-out from the sale of OMHMF's pipeline business in 2016.

The following is a summary of cash flows of OMHMF for the nine months ended September 30, 2017 and 2016:

(Expressed in thousands)

	For the Nine Months Ended September 30,	
	2017	2016
Cash provided by (used in) operating activities	\$4,789	\$(4,143)
Cash provided by investing activities	—	47,562
Cash used in financing activities <sup>(1)(2)</sup>	(20,035)	(35,358)
Net (decrease) increase in cash and cash equivalents	\$(15,246)	\$8,061

(1) Includes cash dividends paid to its parent (E.A. Viner International Co.) and noncontrolling interest of \$12.6 million and \$2.4 million, respectively, for the nine months ended September 30, 2017.

(2) Includes \$5.0 million paid to its parent due to redemption of its outstanding preferred stock for the nine months ended September 30, 2017.

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## 4. Earnings per share

Basic earnings per share is computed by dividing net income 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 number of shares of Class A Stock and Class B Stock outstanding and options to purchase the Class A Stock and unvested restricted stock awards of Class A Stock using the treasury stock method.

Earnings per share have been calculated as follows:

(Expressed in thousands, except number of shares and per share amounts)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Basic weighted average number of shares outstanding	\$13,213,139	\$13,366,863	\$13,290,399	\$13,371,296
Net dilutive effect of share-based awards, treasury method <sup>(1)</sup>	550,377	—	499,737	—
Diluted weighted average number of shares outstanding	\$13,763,516	\$13,366,863	\$13,790,136	\$13,371,296
Net income (loss) from continuing operations	\$7,403	\$(1,059)	\$702	\$(7,206)
Net income from discontinued operations	461	413	1,101	9,362
Net income (loss)	7,864	(646)	1,803	2,156
Net income attributable to noncontrolling interest, net of tax	75	66	180	1,527
Net income (loss) attributable to Oppenheimer Holdings Inc.	\$7,789	\$(712)	\$1,623	\$629
Basic net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	\$0.56	\$(0.08)	\$0.05	\$(0.54)
Discontinued operations <sup>(2)</sup>	0.03	0.03	0.07	0.59
Net income (loss) per share	\$0.59	\$(0.05)	\$0.12	\$0.05
Diluted net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	\$0.54	\$(0.08)	\$0.05	\$(0.54)
Discontinued operations <sup>(2)</sup>	0.03	0.03	0.07	0.59
Net income (loss) per share	\$0.57	\$(0.05)	\$0.12	\$0.05

For both the three and nine months ended September 30, 2017, the diluted net income (loss) per share computation (1) does not include the anti-dilutive effect of 15,450 shares of Class A Stock granted under share-based compensation arrangements (1,249,063 shares for the three and nine months ended September 30, 2016).

(2) Represents net income from discontinued operations less net income attributable to noncontrolling interest, net of tax divided by weighted average number of shares outstanding.

Table of Contents5. Receivable from and payable to brokers, dealers and clearing organizations  
(Expressed in thousands)

	As of	
	September	December
	30, 2017	31, 2016
Receivable from brokers, dealers and clearing organizations consist of:		
Securities borrowed	\$ 159,230	\$ 154,090
Receivable from brokers	30,964	25,768
Securities failed to deliver	34,305	6,172
Clearing organizations	21,921	26,081
Other	2,471	2,823
Total	\$ 248,891	\$ 214,934
Payable to brokers, dealers and clearing organizations consist of:		
Securities loaned	\$ 179,159	\$ 179,875
Payable to brokers	5,997	610
Securities failed to receive	9,253	11,523
Other	53,070	29,381
Total	\$ 247,479	\$ 221,389

## 6. Fair value measurements

Securities owned, 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.

## 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. Government Obligations

U.S. Treasury securities are valued using quoted market prices obtained from active market makers and inter-dealer brokers.

## 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.

## 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.

## Corporate Debt and Other Obligations

The fair value of corporate bonds is estimated using recent transactions, broker quotations and bond spread information.

## Mortgage and Other Asset-Backed Securities

The Company holds non-agency securities collateralized by home equity and various other types of collateral which are valued based on external pricing and spread data provided by independent pricing services. When specific external pricing is not observable, the valuation is based on yields and spreads for comparable bonds.

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### Municipal Obligations

The fair value of municipal obligations is estimated using recently executed transactions, broker quotations, and bond spread information.

### 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.

### Corporate Equities

Equity securities and options are generally valued based on quoted prices from the exchange or market where traded. To the extent quoted prices are not available, fair values are generally derived using bid/ask spreads.

### Auction Rate Securities ("ARS")

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 ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. As of September 30, 2017, the Company had \$5.0 million of outstanding ARS purchase commitments related to the settlements with the Regulators. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client related legal settlements and awards to purchase ARS, as of September 30, 2017, the Company purchased and holds (net of redemptions) approximately \$109.0 million in ARS from its clients. In addition, the Company is committed to purchase another \$10.5 million in ARS from clients through 2020 under legal settlements and awards.

The ARS positions that the Company owns and is committed to purchase 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.

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 of 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. Due to liquidity problems associated with the ARS market, ARS that lack liquidity are setting their interest rates according to a maximum rate formula. For example, an auction rate preferred security maximum rate may be set at 200% of a short-term index such as LIBOR or U.S. Treasury yield. For fair value purposes, the Company has determined that the maximum spread would be an adequate risk premium to account for illiquidity in the market. Accordingly, the Company applies a spread to the short-term index for each asset class to derive the discount rate. The Company uses short-term U.S. Treasury yields as its benchmark short-term index. The risk of non-performance is typically reflected in the prices of ARS positions where the fair value is derived from recent trades in the secondary market.

The ARS purchase commitment, or derivative asset or liability, arises from both the settlements with the Regulators and legal settlements and awards. The ARS purchase commitment represents the difference between the principal value and the fair value of the ARS the Company is committed to purchase. The Company utilizes the same valuation methodology for the ARS purchase commitment as it does for the ARS it owns. Additionally, the present value of the future principal value of ARS purchase commitments under legal settlements and awards is used in the discounted valuation model to reflect the time value of money over the period of time that the commitments are outstanding. The

amount of the ARS purchase commitment only becomes determinable once the Company has met with its primary regulator and the NYAG and agreed upon a buyback amount, commenced the ARS buyback offer to clients, and received notice from its clients which ARS they are tendering. As a result, it is not possible to observe the current yields actually paid on the ARS until all of these events have happened which is typically very close to the time that the Company actually purchases the ARS. For ARS purchase commitments pursuant to legal settlements and awards, the criteria for purchasing ARS from clients is based on the nature of the settlement or award which will stipulate a time period and amount for each repurchase. The Company will not know which ARS will be tendered by

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the client until the stipulated time for repurchase is reached. Therefore, the Company uses the current yields of ARS owned in its discounted valuation model to determine a fair value of ARS purchase commitments. The Company also uses these current yields by asset class (i.e., auction rate preferred securities, municipal auction rate securities, and student loan auction rate securities) in its discounted valuation model to determine the fair value of ARS purchase commitments. In addition, the Company uses the discount rate and duration of ARS owned, by asset class, as a proxy for the duration of ARS purchase commitments.

Additional information regarding the valuation technique and inputs for ARS used is as follows:

(Expressed in thousands)

## Quantitative Information about ARS Level 3 Fair Value Measurements as of September 30, 2017

Product	Principal	Valuation Adjustment	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Auction Rate Securities Owned <sup>(1)</sup>							
Auction Rate Preferred Securities	\$108,675	\$ 2,198	\$ 106,477	Discounted Cash Flow	Discount Rate <sup>(2)</sup>	1.96% to 2.67%	2.25%
					Duration	4.0 Years	4.0 Years
					Current Yield <sup>(3)</sup>	1.56% to 1.93%	1.71%
Municipal Auction Rate Securities	25	2	23	Secondary Market Trading Activity	Trades in Inactive Market for in-Portfolio Securities	90.25% of Par	90.25% of Par
Student Loan Auction Rate Securities	300	16	284	Discounted Cash Flow	Discount Rate <sup>(4)</sup>	3.37%	3.37%
					Duration	7.0 Years	7.0 Years
					Current Yield <sup>(3)</sup>	2.52%	2.52%
	\$109,000	\$ 2,216	\$ 106,784				
Auction Rate Securities Commitments to Purchase <sup>(5)</sup>							
Auction Rate Preferred Securities	\$15,496	\$ 275	\$ 15,221	Discounted Cash Flow	Discount Rate <sup>(2)</sup>	1.96% to 2.67%	2.25%
					Duration	4.0 Years	4.0 Years
					Current Yield <sup>(3)</sup>	1.56% to 1.93%	1.71%
Municipal Auction Rate Securities	2	—	2	Secondary Market Trading Activity	Trades in Inactive Market for in-Portfolio Securities	90.25% of Par	90.25% of Par
Student Loan Auction Rate Securities	25	1	24	Discounted Cash Flow	Discount Rate <sup>(4)</sup>	3.37%	3.37%
					Duration	7.0 Years	7.0 Years
					Current Yield <sup>(3)</sup>	2.52%	2.52%
	\$15,523	\$ 276	\$ 15,247				
Total	\$124,523	\$ 2,492	\$ 122,031				

(1)

Principal amount represents the par value of the ARS and is included in securities owned on the condensed consolidated balance sheet as of September 30, 2017. The valuation adjustment amount is included as a reduction to securities owned on the condensed consolidated balance sheet as of September 30, 2017.

(2) Derived by applying a multiple to the spread between 110% to 150% to the U.S. Treasury rate of 1.78%

(3) Based on current yields for ARS positions owned.

(4) Derived by applying the sum of the spread of 1.20% to the U.S. Treasury rate of 2.17%.

(5) Principal amount represents the present value of the ARS par value that the Company is committed to purchase at a future date. This principal amount is presented as an off-balance sheet item. The valuation adjustment amount is included in accounts payable and other liabilities on the condensed consolidated balance sheet as of September 30, 2017.

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The fair value of ARS and ARS purchase commitments is particularly sensitive to movements in interest rates. Increases in short-term interest rates would increase the discount rate input used in the ARS valuation and thus reduce the fair value of the ARS (increase the valuation adjustment). Conversely, decreases in short-term interest rates would decrease the discount rate and thus increase the fair value of ARS (decrease the valuation adjustment). However, an increase (decrease) in the discount rate input would be partially mitigated by an increase (decrease) in the current yield earned on the underlying ARS asset increasing the cash flows and thus the fair value. Furthermore, movements in short-term interest rates would likely impact the ARS duration (i.e., sensitivity of the price to a change in interest rates), which would also have a mitigating effect on interest rate movements. For example, as interest rates increase, issuers of ARS have an incentive to redeem outstanding securities as servicing the interest payments gets prohibitively expensive which would lower the duration assumption thereby increasing the ARS fair value. Alternatively, ARS issuers are less likely to redeem ARS in a lower interest rate environment as it is a relatively inexpensive source of financing which would increase the duration assumption thereby decreasing the ARS fair value. For example, see the following sensitivities:

The impact of a 25 basis point increase in the discount rate at September 30, 2017 would result in a decrease in the fair value of \$1.2 million (does not consider a corresponding reduction in duration as discussed above).

The impact of a 50 basis point increase in the discount rate at September 30, 2017 would result in a decrease in the fair value of \$2.3 million (does not consider a corresponding reduction in duration as discussed above).

These sensitivities are hypothetical and are based on scenarios where they are "stressed" and should be used with caution. These estimates do not include all of the interplay among assumptions and are estimated as a portfolio rather than as individual assets.

Due to the less observable nature of these inputs, the Company categorizes ARS in Level 3 of the fair value hierarchy. As of September 30, 2017, the Company had a valuation adjustment (unrealized loss) of \$2.2 million for ARS owned which is included as a reduction to securities owned on the condensed consolidated balance sheet. As of September 30, 2017, the Company also had a valuation adjustment of \$276,000 on ARS purchase commitments from settlements with the Regulators and legal settlements and awards which is included in accounts payable and other liabilities on the condensed consolidated balance sheet. The total valuation adjustment was \$2.5 million as of September 30, 2017. The valuation adjustment represents the difference between the principal value and the fair value of the ARS owned and ARS purchase commitments.

## 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.

The following table provides information about the Company's investments in Company-sponsored funds as of September 30, 2017:

(Expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds <sup>(1)</sup>	\$ 2,566	\$ —	Quarterly - Annually	30 - 120 Days
Private equity funds <sup>(2)</sup>	4,907	1,401	N/A	N/A
	\$ 7,473	\$ 1,401		

Includes investments in hedge funds and hedge fund of funds that pursue long/short, event-driven, and activist (1) strategies. Each hedge fund has various restrictions regarding redemption; no investment is locked-up for a period greater than one year.

Includes private equity funds and private equity fund of funds with a focus on diversified portfolios, real estate and (2) global natural resources. Due to the illiquid nature of these funds, investors are not permitted to make withdrawals without the consent of the general partner. The lock-up period of the private equity funds can extend to 10 years.





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Valuation Process

The Company's Finance & Accounting ("F&A") group is responsible for the Company's fair value policies, processes and procedures. F&A is independent from the business units and trading desks and is headed by the Company's Chief Financial Officer ("CFO"), who has final authority over the valuation of the Company's financial instruments. The Finance Control Group ("FCG") within F&A is responsible for daily profit and loss reporting, front-end trading system position reconciliations, monthly profit and loss reporting, and independent price verification procedures. For financial instruments categorized in Levels 1 and 2 of the fair value hierarchy, the FCG performs a monthly independent price verification to determine the reasonableness of the prices provided by the Company's independent pricing vendor. The FCG uses its third-party pricing vendor, executed transactions, and broker-dealer quotes for validating the fair values of financial instruments.

For financial instruments categorized in Level 3 of the fair value hierarchy measured on a recurring basis, primarily for ARS, a group comprised of the CFO, the Controller, and an Operations Director are responsible for the ARS valuation model and resulting fair valuations. Procedures performed include aggregating all ARS owned by type from firm inventory accounts and ARS purchase commitments from regulatory and legal settlements and awards provided by the Legal Department. Observable and unobservable inputs are aggregated from various sources and entered into the ARS valuation model. For unobservable inputs, the group reviews the appropriateness of the inputs to ensure consistency with how a market participant would arrive at the unobservable input. For example, for the duration assumption, the group would consider recent policy statements regarding short-term interest rates by the Federal Reserve and recent ARS issuer redemptions and announcements for future redemptions. The model output is reviewed for reasonableness and consistency. Where available, comparisons are performed between ARS owned or committed to purchase to ARS that are trading in the secondary market.

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## Assets and Liabilities Measured at Fair Value

The Company's assets and liabilities, recorded at fair value on a recurring basis as of September 30, 2017 and December 31, 2016, 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 September 30, 2017

(Expressed in thousands)

	Fair Value Measurements as of			
	September 30, 2017			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents	\$10,490	\$—	\$—	\$10,490
Deposits with clearing organizations	29,448	—	—	29,448
Securities owned:				
U.S. Treasury securities	731,902	—	—	731,902
U.S. Agency securities	10,030	10,491	—	20,521
Sovereign obligations	—	18,439	—	18,439
Corporate debt and other obligations	—	18,181	—	18,181
Mortgage and other asset-backed securities	—	2,483	—	2,483
Municipal obligations	—	42,886	35	42,921
Convertible bonds	—	49,819	—	49,819
Corporate equities	46,239	—	—	46,239
Money markets	174	—	—	174
Auction rate securities	—	—	106,784	106,784
Securities owned, at fair value	788,345	142,299	106,819	1,037,463
Investments <sup>(1)</sup>	—	—	167	167
Derivative contracts:				
TBAs	—	1,339	—	1,339
Total	\$828,283	\$143,638	\$106,986	\$1,078,907
<b>Liabilities</b>				
Securities sold but not yet purchased:				
U.S. Treasury securities	\$272,071	\$—	\$—	\$272,071
U.S. Agency securities	—	3	—	3
Sovereign obligations	—	18,453	—	18,453
Corporate debt and other obligations	—	10,459	—	10,459
Mortgage and other asset-backed securities	—	13	—	13
Convertible bonds	—	23,432	—	23,432
Corporate equities	42,150	—	—	42,150
Securities sold but not yet purchased, at fair value	314,221	52,360	—	366,581
Derivative contracts:				
Futures	663	—	—	663
TBAs	—	1,230	—	1,230
ARS purchase commitments	—	—	276	276
Derivative contracts, total	663	1,230	276	2,169
Total	\$314,884	\$53,590	\$276	\$368,750

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



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Assets and liabilities measured at fair value on a recurring basis as of December 31, 2016  
(Expressed in thousands)

	Fair Value Measurements as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents	\$16,242	\$—	\$—	\$16,242
Deposits with clearing organizations	26,437	—	—	26,437
Securities owned:				
U.S. Treasury securities <sup>(1)</sup>	418,888	—	—	418,888
U.S. Agency securities	5,878	32,391	—	38,269
Sovereign obligations	—	1,894	—	1,894
Corporate debt and other obligations	—	17,074	—	17,074
Mortgage and other asset-backed securities	—	5,024	—	5,024
Municipal obligations	—	56,706	44	56,750
Convertible bonds	—	56,480	—	56,480
Corporate equities	31,174	—	—	31,174
Money markets	189	—	—	189
Auction rate securities	—	—	84,926	84,926
Securities owned, at fair value	456,129	169,569	84,970	710,668
Investments <sup>(2)</sup>	—	—	158	158
Securities purchased under agreements to resell <sup>(3)</sup>	—	24,006	—	24,006
Derivative contracts:				
TBAs	—	814	—	814
ARS purchase commitments	—	—	849	849
Derivative contracts, total	—	814	849	1,663
<b>Total</b>	<b>\$498,808</b>	<b>\$194,389</b>	<b>\$85,977</b>	<b>\$779,174</b>
<b>Liabilities</b>				
Securities sold but not yet purchased:				
U.S. Treasury securities	\$28,662	\$—	\$—	\$28,662
U.S. Agency securities	—	12	—	12
Corporate debt and other obligations	—	2,536	—	2,536
Mortgage and other asset-backed securities	—	31	—	31
Municipal obligations	—	516	—	516
Convertible bonds	—	11,604	—	11,604
Corporate equities	41,689	—	—	41,689
Securities sold but not yet purchased, at fair value	70,351	14,699	—	85,050
Derivative contracts:				
Futures	166	—	—	166
Foreign exchange forward contracts	1	—	—	1
TBAs	—	1,212	—	1,212
ARS purchase commitments	—	—	645	645
Derivative contracts, total	167	1,212	645	2,024
<b>Total</b>	<b>\$70,518</b>	<b>\$15,911</b>	<b>\$645</b>	<b>\$87,074</b>

(1)\$3.6 million is included in other assets on the condensed consolidated balance sheet.

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

(3)Included in securities purchased under agreements to resell on the condensed consolidated balance sheet where the Company has elected fair value option treatment.



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There were no transfers between any of the levels in the three and nine months ended September 30, 2017.

The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended September 30, 2017 and 2016:

(Expressed in thousands)

Level 3 Assets and Liabilities  
For the Three Months Ended September 30, 2017  
Total Realized

	Beginning Balance	Unrealized Gains (Losses) <sup>(3)(4)</sup>	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
<b>Assets</b>						
Municipal obligations	\$36	\$ (1 )	\$ —	\$ —	\$ —	—\$ 35
Auction rate securities <sup>(1)</sup>	107,176	161 )	25	(250 )	—	106,784
Investments	168	(1 )	—	—	—	167
<b>Liabilities</b>						
ARS purchase commitments <sup>(2)</sup>	254	(22 )	—	—	—	276

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.

(2) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.

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

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

(Expressed in thousands)

Level 3 Assets and Liabilities  
For the Three Months Ended September 30, 2016  
Total Realized  
and Unrealized

	Beginning Balance	Unrealized Gains (Losses) <sup>(4)(5)</sup>	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
<b>Assets</b>						
Municipal obligations	\$25	\$ —	\$ —	\$ —	\$ —	—\$ 25
Auction rate securities <sup>(1)</sup>	89,104	117 )	2,000	(675 )	—	90,009
Interest rate lock commitments <sup>(2)</sup>	13,453	53 )	—	(13,453)	—	53
Investments	158	31 )	—	—	—	189
ARS purchase commitments <sup>(3)</sup>	911	(6 )	—	—	—	905
<b>Liabilities</b>						
ARS purchase commitments <sup>(3)</sup>	142	(134 )	—	—	—	276

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.

(2) Interest rate lock commitment assets and liabilities are recorded upon the commitment to originate a loan with a borrower and sell the loan to an investor. The commitment assets and liabilities are recognized at fair value, which reflects the fair value of the contractual loan origination-related fees and sale premiums, net of co-broker fees, and the estimated fair value of the expected net future cash flows associated with the servicing of the loan.

(3) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.

(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.



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The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the nine months ended September 30, 2017 and 2016:

(Expressed in thousands)

Level 3 Assets and Liabilities  
For the Nine Months Ended September 30, 2017  
Total Realized

	Beginning Balance	and Unrealized Gains (Losses) <sup>(3)(4)</sup>	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
<b>Assets</b>						
Municipal obligations	\$44	\$ (9 )	\$ —	\$ —	\$ —	—\$ 35
Auction rate securities <sup>(1)</sup>	84,928	3	22,075	(1,200 )	—	106,784
Investments	158	9	—	—	—	167
ARS purchase commitments <sup>(2)</sup>	849	(849 )	—	—	—	—
<b>Liabilities</b>						
ARS purchase commitments <sup>(2)</sup>	645	369	—	—	—	276

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.

(2) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.

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

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

(Expressed in thousands)

Level 3 Assets and Liabilities  
For the Nine Months Ended September 30, 2016  
Total Realized

	Beginning Balance	and Unrealized Gains (Losses) <sup>(4)(5)</sup>	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
<b>Assets</b>						
Municipal obligations	\$81	\$ 6	\$ —	\$ (62 )	\$ —	—\$ 25
Auction rate securities <sup>(1)</sup>	86,802	157	13,775	(13,725 )	—	90,009
Interest rate lock commitments <sup>(2)</sup>	9,164	1,345	—	(13,453 )	—	53
Investments	157	32	—	—	—	189
ARS purchase commitments <sup>(3)</sup>	—	905	—	—	—	905
<b>Liabilities</b>						
Interest rate lock commitments <sup>(2)</sup>	923	923	—	—	—	—
ARS purchase commitments <sup>(3)</sup>	1,369	1,093	—	—	—	276

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.

(2) Interest rate lock commitment assets and liabilities are recorded upon the commitment to originate a loan with a borrower and sell the loan to an investor. The commitment assets and liabilities are recognized at fair value, which reflects the fair value of the contractual loan origination related fees and sale premiums, net of co-broker fees, and the estimated fair value of the expected net future cash flows associated with the servicing of the loan.

- (3) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.
- (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 are attributable to assets or liabilities that are still held at the reporting date.

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## Financial Instruments Not Measured at Fair Value

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value on the condensed consolidated balance sheets. The table below excludes non-financial assets and liabilities (e.g., furniture, equipment and leasehold improvements and accrued compensation).

The carrying value of financial instruments not measured at fair value categorized in the fair value hierarchy as Level 1 or Level 2 (e.g., cash and receivables from customers) approximates fair value because of the relatively short term nature of the underlying assets. The fair value of the Company's Senior Secured Notes, categorized in Level 2 of the fair value hierarchy, is based on quoted prices from the market in which the Notes trade.

Assets and liabilities not measured at fair value as of September 30, 2017

(Expressed in thousands)

	Carrying Value	Fair Value Measurement: Assets			Total
		Level 1	Level 2	Level 3	
Cash	\$ 34,304	\$34,304	\$ —	\$ —	—\$34,304
Deposits with clearing organization	14,753	14,753	—	—	14,753
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	159,230	—	159,230	—	159,230
Receivables from brokers	30,964	—	30,964	—	30,964
Securities failed to deliver	34,305	—	34,305	—	34,305
Clearing organizations	21,921	—	21,921	—	21,921
Other	1,132	—	1,132	—	1,132
	247,552	—	247,552	—	247,552
Receivable from customers	775,602	—	775,602	—	775,602
Investments <sup>(1)</sup>	62,410	—	62,410	—	62,410

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

(Expressed in thousands)

	Carrying Value	Fair Value Measurement: Liabilities			Total
		Level 1	Level 2	Level 3	
Drafts payable	\$ 26,480	\$26,480	\$ —	\$ —	—\$26,480
Bank call loans	130,100	—	130,100	—	130,100
Payables to brokers, dealers and clearing organizations:					
Securities loaned	179,159	—	179,159	—	179,159
Payable to brokers	5,997	—	5,997	—	5,997
Securities failed to receive	9,253	—	9,253	—	9,253
Other	51,177	—	51,177	—	51,177
	245,586	—	245,586	—	245,586
Payables to customers	396,515	—	396,515	—	396,515
Securities sold under agreements to repurchase	398,650	—	398,650	—	398,650
Senior secured notes	200,000	—	203,044	—	203,044

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Assets and liabilities not measured at fair value as of December 31, 2016  
(Expressed in thousands)

	Carrying Value	Fair Value Measurement: Assets			Total
		Level 1	Level 2	Level 3	
Cash	\$ 48,671	\$48,671	\$ —	\$ —	—\$48,671
Deposits with clearing organization	11,748	11,748	—	—	11,748
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	154,090	—	154,090	—	154,090
Receivables from brokers	25,768	—	25,768	—	25,768
Securities failed to deliver	6,172	—	6,172	—	6,172
Clearing organizations	26,081	—	26,081	—	26,081
Other	2,823	—	2,823	—	2,823
	214,934	—	214,934	—	214,934
Receivable from customers	847,386	—	847,386	—	847,386
Investments <sup>(1)</sup>	56,300	—	56,300	—	56,300

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

(Expressed in thousands)

	Carrying Value	Fair Value Measurement: Liabilities			Total
		Level 1	Level 2	Level 3	
Drafts payable	\$ 39,228	\$39,228	\$ —	\$ —	—\$39,228
Bank call loans	145,800	—	145,800	—	145,800
Payables to brokers, dealers and clearing organizations:					
Securities loaned	179,875	—	179,875	—	179,875
Payable to brokers	610	—	610	—	610
Securities failed to receive	11,523	—	11,523	—	11,523
Other	29,381	—	29,381	—	29,381
	221,389	—	221,389	—	221,389
Payables to customers	449,946	—	449,946	—	449,946
Securities sold under agreements to repurchase	378,084	—	378,084	—	378,084
Senior secured notes	150,000	—	151,782	—	151,782

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Fair Value Option

The Company elected the fair value option for securities sold under agreements to repurchase ("repurchase agreements") and securities purchased under agreements to resell ("reverse repurchase agreements") that do not settle overnight or have an open settlement date. 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 mismatch in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. As of September 30, 2017, the Company did not have any reverse repurchase agreements and repurchase agreements for which the fair value option was elected.

Derivative Instruments and Hedging Activities

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. All derivative instruments are measured at fair value and are recognized as either assets or liabilities on the condensed consolidated balance sheet.

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 Shekel ("NIS"). Such hedges have not been designated as accounting hedges. Unrealized gains and losses on foreign exchange forward contracts are recorded in other assets on the condensed consolidated balance sheet and other income in the condensed consolidated statement of operations.

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 include U.S. Treasury notes, Federal Funds, General Collateral futures and Eurodollar contracts which are used primarily as an economic hedge of interest rate risk associated with government trading activities. Unrealized gains and losses on futures contracts are recorded on the condensed consolidated balance sheet in payable to brokers, dealers and clearing organizations and in the condensed consolidated statement of operations as principal transactions revenue, net.

To-be-announced securities

The Company also transacts in pass-through mortgage-backed securities eligible to be sold in the TBA market as economic hedges against mortgage-backed securities that it owns or has sold but not yet purchased. 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 on the condensed consolidated balance sheet in receivable from brokers, dealers and clearing organizations and payable to brokers, dealers and clearing organizations, respectively, and in the condensed consolidated statement of operations as principal transactions revenue, net.

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The notional amounts and fair values of the Company's derivatives as of September 30, 2017 and December 31, 2016 by product were as follows:

(Expressed in thousands)

	Fair Value of Derivative Instruments as of September 30, 2017		
	Description	Notional	Fair Value
Assets:			
Derivatives not designated as hedging instruments <sup>(1)</sup>			
Other contracts	TBAs	\$ 1,451	\$ 89
	Other TBAs <sup>(2)</sup>	44,739	1,250
		\$46,190	\$ 1,339
Liabilities:			
Derivatives not designated as hedging instruments <sup>(1)</sup>			
Commodity contracts	Futures	\$3,452,000	\$ 663
Other contracts	TBAs	2,223	100
	Other TBAs <sup>(2)</sup>	44,739	1,130
	ARS purchase commitments	15,523	276
		\$3,514,485	\$ 2,169

(1) See "Derivative Instruments and Hedging Activities" above for description of derivative financial instruments.

(1) Such derivative instruments are not subject to master netting agreements, thus the related amounts are not offset.

(2) Represents TBA purchase and sale contracts related to the legacy OMHHF business.

(Expressed in thousands)

	Fair Value of Derivative Instruments as of December 31, 2016		
	Description	Notional	Fair Value
Assets:			
Derivatives not designated as hedging instruments <sup>(1)</sup>			
Other contracts	TBAs	\$ 169,500	\$ 332
	Other TBAs <sup>(2)</sup>	121,573	482
	ARS purchase commitments	6,654	849
		\$297,727	\$ 1,663
Liabilities:			
Derivatives not designated as hedging instruments <sup>(1)</sup>			
Commodity contracts	Futures	\$4,059,000	\$ 166
Other contracts	Foreign exchange forward contracts	200	1
	TBAs	169,500	289
	Other TBAs <sup>(2)</sup>	121,573	923
	Forward start repurchase agreements	382,000	—
	ARS purchase commitments	24,358	645
		\$4,756,631	\$ 2,024

(1) See "Derivative Instruments and Hedging Activities" above for description of derivative financial instruments.

(1) Such derivative instruments are not subject to master netting agreements, thus the related amounts are not offset.

(2) Represents TBA purchase and sale contracts related to the legacy OMHHF business.



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The following table presents the location and fair value amounts of the Company's derivative instruments and their effect in the condensed consolidated statements of operations for the three months ended September 30, 2017 and 2016:

(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations  
For the Three Months Ended September 30, 2017

Types	Description	Location	Recognized in Income on Derivatives
			(pre-tax)
			Net
			Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	\$ (20 )
Other contracts	TBAs	Principal transactions revenue	(26 )
	Other TBAs	Other revenue	(70 )
	ARS purchase commitments	Principal transactions revenue	(22 )
			\$ (138 )

(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations  
For the Three Months Ended September 30, 2016

Types	Description	Location	Recognized in Income on Derivatives
			(pre-tax)
			Net
			Gain
			(Loss)
Commodity contracts	Futures	Principal transactions revenue	\$ 733
Other contracts	Foreign exchange forward contracts	Other revenue	1
	TBAs	Principal transactions revenue	32
	Other TBAs	Other revenue	(39 )
	Interest rate lock commitments	Other revenue	53
	ARS purchase commitments	Principal transactions revenue	(140 )
			\$ 640



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The following table presents the location and fair value amounts of the Company's derivative instruments and their effect on the condensed consolidated statements of operations for the nine months ended September 30, 2017 and 2016:

(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations For the Nine Months Ended September 30, 2017			
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	\$ 214
Other contracts	Foreign exchange forward contracts	Other revenue	12
	TBAs	Principal transactions revenue	(184 )
	Other TBAs	Other revenue	(320 )
	ARS purchase commitments	Principal transactions revenue	(480 )
			\$ (758 )

(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations For the Nine Months Ended September 30, 2016			
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	\$ (2,328 )
Other contracts	Foreign exchange forward contracts	Other revenue	12
	TBAs	Principal transactions revenue	19
	Other TBAs	Other revenue	(8,168 )
	Interest rate lock commitments	Other revenue	5,268
	ARS purchase commitments	Principal transactions revenue	1,998
			\$ (3,199 )

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## 7. 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. As of September 30, 2017, bank call loans were \$130.1 million (\$145.8 million as of December 31, 2016). As of September 30, 2017, such loans were collateralized by firm and customer securities with market values of approximately \$143.0 million and \$188.4 million, respectively, with commercial banks.

As of September 30, 2017, the Company had approximately \$1.0 billion of customer securities under customer margin loans that are available to be pledged, of which the Company has re-pledged approximately \$145.1 million under securities loan agreements.

As of September 30, 2017, the Company had pledged \$264.5 million of customer securities directly with the Options Clearing Corporation to secure obligations and margin requirements under option contracts written by customers.

As of September 30, 2017, the Company had no outstanding letters of credit.

The Company enters into reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions to, among other things, acquire securities to cover short positions and settle other securities obligations, to accommodate customers' needs and to finance the Company's inventory positions. Except as described below, repurchase and reverse repurchase agreements, principally involving U.S. Government and Agency securities, are carried at amounts at which the securities subsequently will be resold or reacquired as specified in the respective agreements and include accrued interest. Repurchase and reverse repurchase agreements are presented on a net-by-counterparty basis, when the repurchase and reverse repurchase 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 reverse repurchase agreements exist in "book entry" form and certain other requirements are met.

The following table presents a disaggregation of the gross obligation by the class of collateral pledged and the remaining contractual maturity of the repurchase agreements and securities loaned transactions as of September 30, 2017:

(Expressed in thousands)

	Overnight and Open
Repurchase agreements:	
U.S. Government and Agency securities	\$ 640,201
Securities loaned:	
Equity securities	179,159
Gross amount of recognized liabilities for repurchase agreements and securities loaned	\$ 819,360

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The following tables present the gross amounts and the offsetting amounts of reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions as of September 30, 2017 and December 31, 2016:

As of September 30, 2017

(Expressed in thousands)

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Financial Instruments	Gross Amounts Not Offset on the Balance Sheet	Cash Collateral Received	Net Amount
Reverse repurchase agreements	\$ 241,551	\$ (241,551 )	\$ —	\$ —		\$ —	\$ —
Securities borrowed <sup>(1)</sup>	159,230	—	159,230	(155,587 )		—	3,643
Total	\$ 400,781	\$ (241,551 )	\$ 159,230	\$ (155,587 )		\$ —	\$ 3,643

(1) Included in receivable from brokers, dealers and clearing organizations on the condensed consolidated balance sheet.

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Financial Instruments	Gross Amounts Not Offset on the Balance Sheet	Cash Collateral Pledged	Net Amount
Repurchase agreements	\$ 640,201	\$ (241,551 )	\$ 398,650	\$ (392,968 )		\$ —	\$ 5,682
Securities loaned <sup>(2)</sup>	179,159	—	179,159	(172,459 )		—	6,700
Total	\$ 819,360	\$ (241,551 )	\$ 577,809	\$ (565,427 )		\$ —	\$ 12,382

(2) Included in payable to brokers, dealers and clearing organizations on the condensed consolidated balance sheet.

As of December 31, 2016

(Expressed in thousands)

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Financial Instruments	Gross Amounts Not Offset on the Balance Sheet	Cash Collateral Received	Net Amount
Reverse repurchase agreements	\$ 24,006	\$ —	\$ 24,006	\$ (23,972 )		\$ —	\$ 34
Securities borrowed <sup>(1)</sup>	154,090	—	154,090	(150,510 )		—	3,580
Total	\$ 178,096	\$ —	\$ 178,096	\$ (174,482 )		\$ —	\$ 3,614

(1) Included in receivable from brokers, dealers and clearing organizations on the condensed consolidated balance sheet.

Gross Amounts Not Offset on  
the Balance Sheet

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	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Financial Instruments		Cash Collateral Pledged	Net Amount
Repurchase agreements	\$ 378,084	\$ —	—\$ 378,084	\$ (376,273	)	\$ —	—\$ 1,811
Securities loaned <sup>(2)</sup>	179,875	—	179,875	(171,991	)	—	7,884
Total	\$ 557,959	\$ —	—\$ 557,959	\$ (548,264	)	\$ —	—\$ 9,695

(2) Included in payable to brokers, dealers and clearing organizations on the condensed consolidated balance sheet.

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Certain of the Company's repurchase agreements and reverse repurchase 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 reverse repurchase agreements that do not settle overnight or have an open settlement date. As of September 30, 2017, the Company did not have any reverse repurchase agreements and repurchase agreements for which the fair value option was elected.

The Company receives collateral in connection with securities borrowed and reverse repurchase agreement transactions and customer margin loans. Under many agreements, the Company is permitted to sell or re-pledge the securities received (e.g., use the securities to enter into securities lending transactions or deliver to counterparties to cover short positions). As of September 30, 2017, the fair value of securities received as collateral under securities borrowed transactions and reverse repurchase agreements was \$154.5 million (\$148.7 million as of December 31, 2016) and \$241.0 million (\$24.0 million as of December 31, 2016), respectively, of which the Company has sold and re-pledged approximately \$27.9 million (\$37.4 million as of December 31, 2016) under securities loaned transactions and \$241.0 million under repurchase agreements (\$24.0 million as of December 31, 2016).

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 \$642.5 million, as presented on the face of the condensed consolidated balance sheet as of September 30, 2017 (\$438.4 million as of December 31, 2016). 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 \$143.0 million as of September 30, 2017 (\$138.6 million as of December 31, 2016).

The Company manages credit exposure arising from repurchase and reverse repurchase 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 securities and the right to offset a counterparty's rights and obligations. The Company manages market risk of repurchase agreements and securities loaned by monitoring 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.

#### 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, dealers and clearing organizations as of September 30, 2017 are receivables from five major U.S. broker-dealers totaling approximately \$122.5 million.

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 the settlement date, generally one to two business days after the 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, the Fixed Income Clearing Corporation ("FICC"), R.J. O'Brien & Associates (commodities transactions), Mortgage-Backed Securities and Clearing Corporation (a division of FICC) and others. With respect to its business in reverse repurchase and repurchase agreements, substantially all open contracts as of September 30, 2017 are with the FICC. In addition, the Company clears its non-U.S. international equities business carried on by Oppenheimer Europe Ltd. through BNP Paribas Securities Services. The clearing organizations 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. As

of September 30, 2017, 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.

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## 8. Variable interest entities ("VIEs")

The Company's policy is to consolidate all subsidiaries in which it has a controlling financial interest, as well as any VIEs where the Company is deemed to be the primary beneficiary, when it has the power to make the decisions that most significantly affect the economic performance of the VIE and has the obligation to absorb significant losses or the right to receive benefits that could potentially be significant to the VIE.

For funds that the Company has concluded are not VIEs, the Company then evaluates whether the fund is a partnership or similar entity. If the fund is a partnership or similar entity, the Company evaluates the fund under the partnership consolidation guidance. Pursuant to that guidance, the Company consolidates funds in which it is the general partner, unless presumption of control by the Company can be overcome. This presumption is overcome only when unrelated investors in the fund have the substantive ability to liquidate the fund or otherwise remove the Company as the general partner without cause, based on a simple majority vote of unaffiliated investors, or have other substantive participating rights. If the presumption of control can be overcome, the Company accounts for its interest in the fund pursuant to the equity method of accounting.

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 form of general and limited partner interests. 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 and limited partnership interests, additional capital commitments, and management fees receivable represent its maximum exposure to loss. The subsidiaries' general partnership and limited 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 of September 30, 2017 and December 31, 2016:

(Expressed in thousands)

As of September 30, 2017

	Total VIE Assets <sup>(1)</sup>	Carrying Value of the Company's Variable Interest Assets <sup>(2)</sup>	Liabilities	Capital Commitments	Maximum Exposure to Loss in Non-consolidated VIEs
Hedge funds	\$339,115	\$ 695	\$ —	—	\$ 695
Private equity funds	15,668	12	—	2	14
Total	\$354,783	\$ 707	\$ —	2	\$ 709

(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.

(Expressed in thousands)

As of December 31, 2016

	Total VIE Assets <sup>(1)</sup>	Carrying Value of the Company's Variable Interest Assets <sup>(2)</sup>	Liabilities	Capital Commitments	Maximum Exposure to Loss in Non-consolidated
--	------------------------------------	---	-------------	------------------------	---

						VIEs
Hedge funds	\$296,807	\$ 706	\$	—\$	—	\$ 706
Private equity funds	26,300	15	—	2		17
Total	\$323,107	\$ 721	\$	—\$	2	\$ 723

- (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.



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(Expressed in thousands)

Issued	Maturity Date	September 30, December 31,	
		2017	2016
6.75% Senior Secured Notes	7/1/2022	\$ 200,000	\$ —
8.75% Senior Secured Notes	4/15/2018	—	150,000
Unamortized Debt Issuance Cost		(1,199 )	(648 )
		\$ 198,801	\$ 149,352

## 6.75% Senior Secured Notes

On June 23, 2017, the Company issued in a private offering \$200.0 million aggregate principal amount of 6.75% Senior Secured Notes due 2022 (the "6.75% Notes") under an indenture at an issue price of 100% of the principal amount. On September 19, 2017, the Company completed an exchange offer in which the Company exchanged 99.8% of its unregistered 6.75% Notes for a like principal amount of notes with identical terms except that such new notes have been registered under the Securities Act of 1933, as amended (the "Notes"). The Company did not receive any proceeds in the exchange offer. The interest on the Notes is payable semi-annually on January 1st and July 1st, beginning January 1, 2018. The Company used a portion of the net proceeds from the offering of the Notes to redeem in full its 8.75% Senior Secured Notes due April 15, 2018 (the "8.75% Notes") in the principal amount of \$120.0 million, and pay all related fees and expenses related thereto. The cost to issue the Notes was \$4.3 million, of which \$3.0 million was paid to its subsidiary, Oppenheimer, who served as the initial purchaser of the offering, and was eliminated in consolidation. The remaining \$1.3 million has been capitalized and is amortized over the term of the Notes.

The indenture governing the Notes contains covenants which place restrictions on the incurrence of indebtedness, the payment of dividends, the repurchase of the equity, the sale of assets, mergers and acquisitions and the granting of liens. The Notes provide for events of default including, among other things, nonpayment, breach of covenants and bankruptcy. The Company's obligations under the Notes are guaranteed by certain of the Company's subsidiaries and are secured by a first-priority security interest in substantially all of the assets of the Company and the subsidiary's guarantors. These guarantees and the collateral may be shared, on a pari passu basis, under certain circumstances, with debt incurred. As of September 30, 2017, the Company was in compliance with all of its covenants.

Interest expense for the three and nine months ended September 30, 2017 on the Notes was \$3.4 million and \$3.7 million, respectively.

## 8.75% Senior Secured Notes

On April 12, 2011, the Company issued in a private offering \$200.0 million in aggregate principal amount of 8.75% Notes at an issue price of 100% of the principal amount. The interest on the 8.75% Notes is payable semi-annually on April 15th and October 15th. On April 15, 2014, the Company retired early a total of \$50.0 million of the 8.75% Notes.

The indenture for the 8.75% Notes contained covenants which placed restrictions on the incurrence of indebtedness, the payment of dividends, sale of assets, mergers and acquisitions and the granting of liens. The 8.75% Notes provided for events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. The Company's obligations under the 8.75% Notes were guaranteed, subject to certain limitations. These guarantees may be shared, on a senior basis, under certain circumstances, with newly incurred debt outstanding in the future.

On April 15, 2017, the Company redeemed \$30.0 million aggregate principal amount of the 8.75% Notes at a redemption price equal to 100% of the principal, plus accrued and unpaid interest. The Company used the net proceeds from the asset sales of OMHHF to finance the redemption of the 8.75% Notes redeemed.

On June 23, 2017, the Company issued a notice of redemption to redeem all of the \$120.0 million aggregate principal amount of the outstanding 8.75% Notes and to satisfy and discharge all of its obligations under the indenture governing the 8.75% Notes (the "8.75% Notes Indenture"). In connection therewith, on June 23, 2017, the Company caused to be deposited with The Bank of New York Mellon Trust Company, N.A., the trustee for the 8.75% Notes, funds sufficient to redeem all outstanding 8.75% Notes on July 23, 2017 (the "Redemption Date") and instructed the

trustee to apply such funds to redeem the 8.75% Notes on the Redemption Date. The redemption payment deposit was an amount equal to the redemption price of 100% of the aggregate principal amount of the 8.75% Notes, plus accrued and unpaid interest thereon to, but not including, the Redemption Date. On July 23, 2017, the 8.75% Notes were fully redeemed.

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In connection with the satisfaction and discharge of the 8.75% Notes Indenture, all of the obligations of the Company and the subsidiary guarantors (other than certain customary provisions of the indenture, including those relating to the compensation and indemnification of the trustee, that expressly survive pursuant to the terms of the 8.75% Notes Indenture) were discharged and the guarantees of the subsidiary guarantors and the liens on the collateral securing the 8.75% Notes were released on June 23, 2017.

Interest expense for the three and nine months ended September 30, 2017 on the 8.75% Notes was \$nil and \$6.7 million, respectively (\$3.3 million and \$9.8 million for the three and nine months ended September 30, 2016, respectively).

#### 10. Share capital

The Company's authorized share capital consists of (a) 50,000,000 shares of Preferred Stock, par value \$0.001 per share; (b) 50,000,000 shares of Class A Stock, par value \$0.001 per share; and (c) 99,665 shares of Class B Stock, par value \$0.001 per share. No Preferred Stock has been issued. 99,665 shares of Class B Stock have been issued and are outstanding.

The Class A Stock and the Class B Stock are equal in all respects except that the Class A Stock is non-voting.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Class A Stock outstanding, beginning of period	13,132,775	13,259,715	13,261,095	13,238,486
Issued pursuant to shared-based compensation plans	19,883	10,988	198,903	283,471
Repurchased and canceled pursuant to the stock buy-back	(143,010 )	(2,264 )	(450,350 )	(253,518 )
Class A Stock outstanding, end of period	13,009,648	13,268,439	13,009,648	13,268,439
Stock buy-back				

On May 5, 2017, the Company announced that its board of directors approved a share repurchase program that authorizes the Company to purchase up to 650,000 shares of the Company's Class A Stock, representing approximately 5% of its 13,178,571 then issued and outstanding shares of Class A Stock. This authorization supplements the 40,734 shares that remain authorized and available under the Company's previous share repurchase program covering up to 665,000 shares of the Company's Class A Stock, which was announced on September 15, 2015, for a total of 690,734 shares authorized and available for repurchase.

During the three and nine months ended September 30, 2017, the Company purchased and canceled an aggregate of 143,010 and 450,350 shares of Class A Stock, respectively, for a total consideration of \$2.3 million (\$16.12 per share) and \$7.5 million (\$16.57 per share), respectively. As of September 30, 2017, 508,906 shares were available to be purchased under this program.

Any such share purchases will be made by the Company from time to time in the open market at the prevailing open market price using cash on hand, in compliance with the applicable rules and regulations of the New York Stock Exchange and federal and state securities laws and the terms of the Company's senior secured debt. All shares purchased will be canceled. The share repurchase program is expected to continue indefinitely. The timing and amounts of any purchases will be based on market conditions and other factors including price, regulatory requirements and capital availability. The share repurchase program does not obligate the Company to repurchase any dollar amount or number of shares of Class A Stock. Depending on market conditions and other factors, these repurchases may be commenced or suspended from time to time without prior notice.

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## 11. Contingencies

Many aspects of the Company's business involve substantial risks of liability. In the normal course of business, the Company has been named as defendant or co-defendant in various legal actions, including arbitrations, class actions, and other litigation, creating substantial exposure. Certain of the actual or threatened legal matters include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. These proceedings arise primarily from securities brokerage, asset management and investment banking activities. The Company is also involved, from time to time, in other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding the Company's business which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The investigations include, among other things, inquiries from the Securities and Exchange Commission (the "SEC"), the Financial Industry Regulatory Authority ("FINRA") and various state regulators.

The Company accrues for estimated loss contingencies related to legal and regulatory matters when available information indicates that it is probable a liability had been incurred and the Company can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss or possible additional losses or range of additional losses.

For certain legal and regulatory proceedings, the Company cannot reasonably estimate such losses, particularly for proceedings that are in their early stages of development or where plaintiffs seek substantial, indeterminate or special damages. Numerous issues may need to be reviewed, analyzed or resolved, including through potentially lengthy discovery and determination of important factual matters, and by addressing novel or unsettled legal questions relevant to the proceedings in question, before a loss or range of loss or additional loss can be reasonably estimated for any proceeding. Even after lengthy review and analysis, the Company, in many legal and regulatory proceedings, may not be able to reasonably estimate possible losses or range of loss.

For certain other legal and regulatory proceedings, the Company can estimate possible losses, or range of loss, in excess of amounts accrued, but does not believe, based on current knowledge and after consultation with counsel, that such losses individually, or in the aggregate, will have a material adverse effect on the Company's condensed consolidated financial statements as a whole.

For legal and regulatory proceedings where there is at least a reasonable possibility that a loss or an additional loss may be incurred, the Company estimates a range of aggregate loss in excess of amounts accrued of \$0 to \$29.0 million. This estimated aggregate range is based upon currently available information for those legal proceedings in which the Company is involved, where an estimate for such losses can be made. For certain cases, the Company does not believe that an estimate can currently be made. The foregoing estimate is based on various factors, including the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the numerous yet-unresolved issues in many of the proceedings and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate.

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. As of September 30, 2017, the Company had \$5.0 million of outstanding ARS purchase commitments related to the settlements with the Regulators. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client related legal settlements and awards to purchase ARS, as of September 30, 2017, the Company purchased and holds (net of redemptions) approximately \$109.0 million in ARS from its clients. In addition, the Company is committed to purchase another \$10.5 million in

ARS from clients through 2020 under legal settlements and awards.

The Company's purchases of ARS from its clients holding ARS eligible for repurchase will, subject to the terms and conditions of the settlements with the Regulators, continue on a periodic basis. Pursuant to these terms and conditions, the Company is required to conduct a financial review every six months, until the Company has extended Purchase Offers to all Eligible Investors (as defined), to determine whether it has funds available, after giving effect to the financial and regulatory capital constraints applicable to the Company, to extend additional Purchase Offers. The financial review is based on the Company's operating results, regulatory net capital, liquidity, and other ARS purchase commitments outstanding under legal settlements and awards (described below). There are no predetermined quantitative thresholds or formulas used for determining the final agreed upon amount for the Purchase Offers. Upon completion of the financial review, the Company first meets with its

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primary regulator, FINRA, and then with representatives of the NYAG and other regulators to present the results of the review and to finalize the amount of the next Purchase Offer. Various offer scenarios are discussed in terms of which Eligible Investors should receive a Purchase Offer. The primary criteria to date in terms of determining which Eligible Investors should receive a Purchase Offer has been the amount of household account equity each Eligible Investor had with the Company in February 2008. Once various Purchase Offer scenarios have been discussed, the regulators, not the Company, make the final determination of which Purchase Offer scenario to implement. The terms of settlements provide that the amount of ARS to be purchased during any period shall not risk placing the Company in violation of regulatory requirements.

Eligible Investors for future buybacks continued to hold approximately \$30.6 million of ARS principal value as of September 30, 2017. It is reasonably possible that some ARS Purchase Offers will need to be extended to Eligible Investors holding ARS prior to redemptions (or tender offers) by issuers of the full amount that remains outstanding. The potential additional losses that may result from entering into ARS purchase commitments with Eligible Investors for future buybacks represents the estimated difference between the principal value and the fair value. It is possible that the Company could sustain a loss of all or substantially all of the principal value of ARS still held by Eligible Investors but such an outcome is highly unlikely. The amount of potential additional losses resulting from entering into these commitments cannot be reasonably estimated due to the uncertainties surrounding the amounts and timing of future buybacks that result from the six-month financial review and the amounts, scope, and timing of future issuer redemptions and tender offers of ARS held by Eligible Investors. The range of potential additional losses related to valuation adjustments is between \$0 and the amount of the estimated differential between the principal value and the fair value of ARS held by Eligible Investors for future buybacks that were not yet purchased or committed to be purchased by the Company at any point in time. The range of potential additional losses described here is not included in the estimated range of aggregate loss in excess of amounts accrued for legal and regulatory proceedings described above.

Outside of the settlements with the Regulators, the Company has also reached various legal settlements with clients and received unfavorable legal awards requiring it to purchase ARS. The terms and conditions including the ARS amounts committed to be purchased under legal settlements and awards are based on the specific facts and circumstances of each legal proceeding. In most instances, the purchase commitments are in increments and extend over a period of time. As of September 30, 2017, there were no ARS purchase commitments related to legal settlements extending past 2020.

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.

On January 27, 2015, the SEC approved an Offer of Settlement from Oppenheimer and issued an Order Instituting Administrative and Cease and Desist Proceedings (the "Order"). Pursuant to the Order, Oppenheimer was ordered to (i) cease and desist from committing or causing any violations of the relevant provisions of the federal securities laws; (ii) be censured; (iii) pay to the SEC \$10.0 million comprised of \$4.2 million in disgorgement, \$753,500 in prejudgment interest and \$5.1 million in civil penalties; and (iv) retain an independent consultant to review Oppenheimer's policies and procedures relating to anti-money laundering and Section 5 of the Securities Act.

Oppenheimer made a payment of \$5.0 million to the SEC on February 17, 2015 and agreed to make a second payment of \$5.0 million to the SEC before January 27, 2017 which payment was made to the SEC on January 26, 2017.

On the same date the Order was issued, a division of the United States Department of the Treasury ("FinCEN") issued a Civil Monetary Assessment (the "Assessment") against Oppenheimer relating to potential violations of the Bank Secrecy Act ("BSA") and the regulations promulgated thereunder related primarily to, in the Company's view, the SEC matter discussed immediately above. Pursuant to the terms of the Assessment, Oppenheimer admitted that it violated the BSA and consented to the payment of a civil money penalty, which, as a result of the payments to the SEC described above, obligates Oppenheimer to make an aggregate payment of \$10.0 million to FinCEN. On February 9, 2015, Oppenheimer made a payment of \$5.0 million to FinCEN and agreed to make a second payment of \$5.0 million before January 27, 2017 which payment was made to FinCEN on January 26, 2017.

Since early 2014, Oppenheimer has been responding to information requests from FINRA regarding the supervision of one of its former financial advisers who was indicted by the United States Attorney's Office for the District of New Jersey in March 2014 on allegations of insider trading. In August 2014, Oppenheimer received information requests from the SEC regarding supervision of the same financial adviser. A number of Oppenheimer employees have provided on-the-record testimony in connection with the SEC inquiry. Oppenheimer is continuing to cooperate with both the FINRA and SEC inquiries.

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## 12. Regulatory 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") promulgated under the Securities Exchange Act of 1934. 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. As of September 30, 2017, the net capital of Oppenheimer as calculated under the Rule was \$137.8 million or 13.05% of Oppenheimer's aggregate debit items. This was \$116.7 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 \$100,000 or 6-2/3% of aggregate indebtedness, as defined. As of September 30, 2017, Freedom had net capital of \$5.4 million, which was \$5.3 million in excess of the \$100,000 required to be maintained at that date.

New Basel III requirements being implemented in the European Union have changed how capital adequacy is reported under the Capital Requirements Directive (CRD IV), effective January 1, 2014, for Oppenheimer Europe Ltd. As of September 30, 2017, the capital required and held under CRD IV was as follows:

• Common Equity Tier 1 ratio 11.87% (required 4.5%);

• Tier 1 Capital ratio 11.87% (required 6.0%); and

• Total Capital ratio 13.39% (required 8.0%).

As of September 30, 2017, the regulatory capital of Oppenheimer Investments Asia Limited was \$1.9 million, which was \$1.5 million in excess of the \$387,000 required to be maintained on that date. Oppenheimer Investments Asia Limited computes its regulatory capital pursuant to the requirements of the Securities and Futures Commission in Hong Kong.

## 13. Segment information

The Company has determined its reportable segments based on the Company's method of internal reporting, which disaggregates its retail business by branch and its proprietary and investment banking businesses by product. The Company evaluates the performance of its segments and allocates resources to them based upon profitability.

The Company's reportable segments are:

Private Client - includes commissions and a proportionate amount of fee income earned on assets under management ("AUM"), net interest earnings on client margin loans and cash balances, fees from money market funds, net contributions from stock loan activities and financing activities, and direct expenses associated with this segment;

Asset Management - includes a proportionate amount of fee income earned on AUM from investment management services of Oppenheimer Asset Management Inc. Oppenheimer's asset management divisions employ various programs to professionally manage client assets either in individual accounts or in funds, and includes direct expenses associated with this segment;

Capital Markets - includes investment banking, institutional equities sales, trading, and research, taxable fixed income sales, trading, and research, public finance and municipal trading, as well as the Company's operations in the United Kingdom, Hong Kong and Israel, and direct expenses associated with this segment; and

Corporate/Other - the Company does not allocate costs associated with certain infrastructure support groups that are centrally managed for its reportable segments. These areas include, but are not limited to, legal, compliance, operations, accounting, and internal audit. Costs associated with these groups are separately reported in a Corporate/Other category and primarily include compensation and benefits.

The Commercial Mortgage Banking segment was discontinued during the second quarter of 2016. See Note 3 for further details.



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The table below presents information about the reported revenue and income (loss) before income taxes from continuing operations of the Company for the three and nine months ended September 30, 2017 and 2016. Asset information by reportable segment is not reported, since the Company does not produce such information for internal use by the chief operating decision maker.

(Expressed in thousands)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2017	2016	2017	2016
Revenue				
Private client <sup>(1)</sup>	\$147,428	\$127,835	\$425,069	\$376,737
Asset management <sup>(1)</sup>	19,277	23,234	57,247	68,978
Capital markets	58,808	60,703	168,418	187,292
Corporate/Other	707	32	4,631	5,827
Total	\$226,220	\$211,804	\$655,365	\$638,834
Income (loss) before income taxes				
Private client <sup>(1)</sup>	\$36,950	\$20,137	\$93,763	\$50,799
Asset management <sup>(1)</sup>	3,338	9,380	11,130	21,851
Capital markets	(1,639 )	(1,103 )	(25,235 )	(3,856 )
Corporate/Other	(26,821 )	(30,224 )	(76,492 )	(83,190 )
Total	\$11,828	\$(1,810 )	\$3,166	\$(14,396 )

Clients investing in the OAM advisory program are charged fees based on the value of assets under management.

Advisory fees were allocated 22.5% to the Asset Management and 77.5% to the Private Client segments. Starting (1) January 1, 2017, the Company determined it was appropriate to change the allocation to 10.0% to the Asset Management and 90.0% to the Private Client segments due to changes in the mix of the business over time and costs associated with it.

Revenue classified by the major geographic areas in which it was earned for the three and nine months ended September 30, 2017 and 2016 was as follows:

(Expressed in thousands)

	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
Americas	\$217,900	\$199,878	\$625,615	\$606,168
Europe/Middle East	7,655	11,118	27,019	30,150
Asia	665	808	2,731	2,516
Total	\$226,220	\$211,804	\$655,365	\$638,834

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14. Subsequent events

On October 27, 2017, the Company announced a quarterly dividend in the amount of \$0.11 per share, payable on November 24, 2017 to holders of Class A Stock and Class B Stock of record on November 10, 2017.

15. Condensed consolidating financial information

On June 23, 2017, the Company issued in a private offering \$200.0 million aggregate principal amount of the Notes. The Company used a portion of the net proceeds from the offering of the Notes to redeem in full its 8.75% Notes. See Note 9 for further details.

The Company's 8.75% Notes and the 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"), unless released as described below. Each of the Guarantors is 100% owned by the Company. The indentures for the 8.75% Notes and the Notes contain covenants with restrictions which are discussed in Note 9. The following condensed consolidating financial information presents the financial position, results of operations and cash flows of the Company (referred to as "Parent" for purposes of this Note 15 only), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and elimination entries necessary to consolidate the Company.

Each Guarantor will be automatically and unconditionally released and discharged upon: the sale, exchange or transfer of the capital stock of a Guarantor and the Guarantor ceasing to be a direct or indirect subsidiary of the Company if such sale does not constitute an asset sale under the indenture for the 8.75% Notes and the Notes or does not constitute an asset sale effected in compliance with the asset sale and merger covenants of the indenture for the 8.75% Notes and the Notes; a Guarantor being dissolved or liquidated; a Guarantor being designated unrestricted in compliance with the applicable provisions of the 8.75% Notes and the Notes; or the exercise by the Company of its legal defeasance option or covenant defeasance option or the discharge of the Company's obligations under the indenture for the 8.75% Notes and the Notes in accordance with the terms of such indenture.

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OPPENHEIMER HOLDINGS INC.  
 CONDENSED CONSOLIDATING BALANCE SHEET  
 AS OF SEPTEMBER 30, 2017

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>					
Cash and cash equivalents	\$ 507	\$ 11,963	\$ 32,324	\$—	\$ 44,794
Deposits with clearing organizations	—	—	44,201	—	44,201
Receivable from brokers, dealers and clearing organizations	—	—	248,891	—	248,891
Receivable from customers, net of allowance for credit losses of \$782	—	—	775,602	—	775,602
Income tax receivable	48,052	28,533	—	(71,524 )	5,061
Securities owned, including amounts pledged of \$642,501, at fair value	—	1,268	1,036,195	—	1,037,463
Notes receivable, net of accumulated amortization and allowance for uncollectibles of \$24,694 and \$7,519, respectively	—	—	38,241	—	38,241
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$87,861	—	20,596	5,958	—	26,554
Subordinated loan receivable	—	112,558	—	(112,558 )	—
Intangible assets	—	—	31,700	—	31,700
Goodwill	—	—	137,889	—	137,889
Other assets	140	2,472	115,393	—	118,005
Deferred tax assets	522	—	33,179	(33,701 )	—
Investment in subsidiaries	598,256	477,245	—	(1,075,501 )	—
Intercompany receivables	62,143	78,755	—	(140,898 )	—
<b>Total assets</b>	<b>\$ 709,620</b>	<b>\$ 733,390</b>	<b>\$ 2,499,573</b>	<b>\$ (1,434,182)</b>	<b>\$ 2,508,401</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>Liabilities</b>					
Drafts payable	\$—	\$—	\$ 26,480	\$—	\$ 26,480
Bank call loans	—	—	130,100	—	130,100
Payable to brokers, dealers and clearing organizations	—	—	247,479	—	247,479
Payable to customers	—	—	396,515	—	396,515
Securities sold under agreements to repurchase	—	—	398,650	—	398,650
Securities sold but not yet purchased, at fair value	—	—	366,581	—	366,581
Accrued compensation	—	—	130,109	—	130,109
Accounts payable and other liabilities	3,961	34,522	53,051	—	91,534
Income tax payable	2,440	22,189	46,895	(71,524 )	—
Senior secured notes, net of debt issuance costs of \$1,199	198,801	—	—	—	198,801
Subordinated indebtedness	—	—	112,558	(112,558 )	—
Deferred tax liabilities, net of deferred tax assets of \$60,919	—	29	51,049	(33,701 )	17,377
Intercompany payables	—	62,163	78,735	(140,898 )	—
<b>Total liabilities</b>	<b>205,202</b>	<b>118,903</b>	<b>2,038,202</b>	<b>(358,681)</b>	<b>2,003,626</b>

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Stockholders' equity					
Stockholders' equity attributable to Oppenheimer Holdings Inc.	504,418	614,487	461,014	(1,075,501 )	504,418
Noncontrolling interest	—	—	357	—	357
Total stockholders' equity	504,418	614,487	461,371	(1,075,501 )	504,775
Total liabilities and stockholders' equity	\$ 709,620	\$ 733,390	\$ 2,499,573	\$(1,434,182)	\$ 2,508,401

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OPPENHEIMER HOLDINGS INC.  
CONDENSED CONSOLIDATING BALANCE SHEET  
AS OF DECEMBER 31, 2016

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
<b>ASSETS</b>					
Cash and cash equivalents	\$ 229	\$ 10,284	\$ 54,400	\$—	\$ 64,913
Deposits with clearing organizations	—	—	38,185	—	38,185
Receivable from brokers, dealers and clearing organizations	—	—	214,934	—	214,934
Receivable from customers, net of allowance for credit losses of \$794	—	—	847,386	—	847,386
Income tax receivable	41,996	28,289	—	(64,469 )	5,816
Securities purchased under agreements to resell, at fair value	—	—	24,006	—	24,006
Securities owned, including amounts pledged of \$438,385 at fair value	—	23,227	683,881	—	707,108
Notes receivable, net of accumulated amortization and allowance for uncollectibles of \$24,826 and \$6,784, respectively	—	—	30,099	—	30,099
Furniture, equipment and leasehold improvements, net of accumulated depreciation of \$84,073	—	21,963	5,270	—	27,233
Subordinated loan receivable	—	112,558	—	(112,558 )	—
Intangible assets	—	—	31,700	—	31,700
Goodwill	—	—	137,889	—	137,889
Other assets	71	2,598	104,992	—	107,661
Deferred tax assets	394	309	37,961	(38,664 )	—
Investment in subsidiaries	584,767	483,623	—	(1,068,390 )	—
Intercompany receivables	37,906	37,914	—	(75,820 )	—
Total assets	\$ 665,363	\$ 720,765	\$ 2,210,703	\$ (1,359,901)	\$ 2,236,930
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>Liabilities</b>					
Drafts payable	\$—	\$—	\$ 39,228	\$—	\$ 39,228
Bank call loans	—	—	145,800	—	145,800
Payable to brokers, dealers and clearing organizations	—	—	221,389	—	221,389
Payable to customers	—	—	449,946	—	449,946
Securities sold under agreements to repurchase	—	—	378,084	—	378,084
Securities sold but not yet purchased, at fair value	—	—	85,050	—	85,050
Accrued compensation	—	—	145,053	—	145,053
Accounts payable and other liabilities	2,868	34,920	58,769	—	96,557
Income tax payable	2,440	22,189	39,840	(64,469 )	—
Senior secured notes, net of debt issuance costs of \$648	149,352	—	—	—	149,352
Subordinated indebtedness	—	—	112,558	(112,558 )	—
Deferred tax liabilities, net of deferred assets of \$59,062	—	7	51,794	(38,664 )	13,137

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Intercompany payables	—	62,205	13,615	(75,820 )	—
Total liabilities	154,660	119,321	1,741,126	(291,511 )	1,723,596
Stockholders' equity					
Stockholders' equity attributable to Oppenheimer Holdings Inc.	510,703	601,444	466,946	(1,068,390 )	510,703
Noncontrolling interest	—	—	2,631	—	2,631
Total stockholders' equity	510,703	601,444	469,577	(1,068,390 )	513,334
Total liabilities and stockholders' equity	\$665,363	\$ 720,765	\$ 2,210,703	\$(1,359,901)	\$ 2,236,930

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OPPENHEIMER HOLDINGS INC.  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
<b>REVENUES</b>					
Commissions	\$—	\$ —	\$ 77,635	\$ —	\$ 77,635
Advisory fees	—	—	74,655	(326 )	74,329
Investment banking	—	—	23,940	—	23,940
Interest	—	2,391	12,972	(2,411 )	12,952
Principal transactions, net	—	2	5,133	—	5,135
Other	22	89	32,207	(89 )	32,229
Total revenue	22	2,482	226,542	(2,826 )	226,220
<b>EXPENSES</b>					
Compensation and related expenses	271	—	141,819	—	142,090
Communications and technology	33	—	17,748	—	17,781
Occupancy and equipment costs	—	—	15,377	(89 )	15,288
Clearing and exchange fees	—	—	5,622	—	5,622
Interest	3,375	—	5,536	(2,411 )	6,500
Other	412	62	26,963	(326 )	27,111
Total expenses	4,091	62	213,065	(2,826 )	214,392
Income (Loss) before income taxes	(4,069 )	2,420	13,477	—	11,828
Income taxes	(1,558 )	984	4,999	—	4,425
Net income (loss) from continuing operations	(2,511 )	1,436	8,478	—	7,403
<b>Discontinued operations</b>					
Income from discontinued operations	—	—	769	—	769
Income taxes	—	—	308	—	308
Net income from discontinued operations	—	—	461	—	461
Equity in earnings of subsidiaries	10,300	8,864	—	(19,164 )	—
Net income	7,789	10,300	8,939	(19,164 )	7,864
Less net income attributable to noncontrolling interest, net of tax	—	—	75	—	75
Net income attributable to Oppenheimer Holdings Inc.	7,789	10,300	8,864	(19,164 )	7,789
Other comprehensive loss	—	—	(251 )	—	(251 )
Total comprehensive income	\$7,789	\$ 10,300	\$ 8,613	\$ (19,164 )	\$ 7,538

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OPPENHEIMER HOLDINGS INC.  
 CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
<b>REVENUES</b>					
Commissions	\$—	\$ —	\$ 248,204	\$ —	\$ 248,204
Advisory fees	—	—	217,510	(989 )	216,521
Investment banking	—	—	60,347	(3,000 )	57,347
Interest	—	7,529	36,379	(7,562 )	36,346
Principal transactions, net	—	17	15,793	—	15,810
Other	22	267	81,114	(266 )	81,137
Total revenue	22	7,813	659,347	(11,817 )	655,365
<b>EXPENSES</b>					
Compensation and related expenses	976	—	427,649	—	428,625
Communications and technology	112	—	53,774	—	53,886
Occupancy and equipment costs	—	—	45,987	(266 )	45,721
Clearing and exchange fees	—	—	17,392	—	17,392
Interest	10,365	—	15,907	(7,562 )	18,710
Other	4,661	329	86,864	(3,989 )	87,865
Total expenses	16,114	329	647,573	(11,817 )	652,199
Income (Loss) before income taxes	(16,092)	7,484	11,774	—	3,166
Income taxes	(6,184 )	2,860	5,788	—	2,464
Net income (loss) from continuing operations	(9,908 )	4,624	5,986	—	702
<b>Discontinued operations</b>					
Income from discontinued operations	—	—	1,834	—	1,834
Income taxes	—	—	733	—	733
Net income from discontinued operations	—	—	1,101	—	1,101
Equity in earnings of subsidiaries	11,531	6,907	—	(18,438 )	—
Net income	1,623	11,531	7,087	(18,438 )	1,803
Less net income attributable to noncontrolling interest, net of tax	—	—	180	—	180
Net income attributable to Oppenheimer Holdings Inc.	1,623	11,531	6,907	(18,438 )	1,623
Other comprehensive income	—	—	1,953	—	1,953
Total comprehensive income	\$1,623	\$ 11,531	\$ 8,860	\$ (18,438 )	\$ 3,576



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OPPENHEIMER HOLDINGS INC.  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
<b>REVENUES</b>					
Commissions	\$—	\$ —	\$ 90,023	\$ —	\$ 90,023
Advisory fees	—	—	67,889	(437 )	67,452
Investment banking	—	—	20,280	—	20,280
Interest	—	2,556	11,427	(2,692 )	11,291
Principal transactions, net	—	1	4,921	—	4,922
Other	—	81	17,836	(81 )	17,836
Total revenue	—	2,638	212,376	(3,210 )	211,804
<b>EXPENSES</b>					
Compensation and related expenses	251	—	142,057	—	142,308
Communications and technology	30	—	17,171	—	17,201
Occupancy and equipment costs	—	—	14,990	(81 )	14,909
Clearing and exchange fees	—	—	5,886	—	5,886
Interest	3,281	—	4,098	(2,692 )	4,687
Other	310	3	28,747	(437 )	28,623
Total expenses	3,872	3	212,949	(3,210 )	213,614
Income (loss) before income taxes	(3,872)	2,635	(573 )	—	(1,810 )
Income taxes	(2,018)	402	865	—	(751 )
Net income (loss) from continuing operations	(1,854)	2,233	(1,438 )	—	(1,059 )
<b>Discontinued operations</b>					
Income from discontinued operations	—	—	888	—	888
Income taxes	—	—	475	—	475
Net income from discontinued operations	—	—	413	—	413
Equity in earnings of subsidiaries	1,142	(1,091 )	—	(51 )	—
Net income (loss)	(712 )	1,142	(1,025 )	(51 )	(646 )
Less net income attributable to noncontrolling interest, net of tax	—	—	66	—	66
Net income (loss) attributable to Oppenheimer Holdings Inc.	(712 )	1,142	(1,091 )	(51 )	(712 )
Other comprehensive income	—	—	681	—	681
Total comprehensive income (loss)	\$(712)	\$ 1,142	\$ (410 )	\$ (51 )	\$ (31 )

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OPPENHEIMER HOLDINGS INC.  
 CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
<b>REVENUES</b>					
Commissions	\$ —	\$ —	\$ 286,447	\$ —	\$ 286,447
Advisory fees	—	—	200,779	(1,197)	199,582
Investment banking	—	—	51,544	—	51,544
Interest	—	7,669	36,495	(7,824)	36,340
Principal transactions, net	—	53	19,064	—	19,117
Other	—	240	45,803	(239)	45,804
Total revenue	—	7,962	640,132	(9,260)	638,834
<b>EXPENSES</b>					
Compensation and related expenses	994	—	431,530	—	432,524
Communications and technology	92	—	52,427	—	52,519
Occupancy and equipment costs	—	—	45,035	(239)	44,796
Clearing and exchange fees	—	—	19,006	—	19,006
Interest	9,844	—	12,506	(7,824)	14,526
Other	1,506	8	89,542	(1,197)	89,859
Total expenses	12,436	8	650,046	(9,260)	653,230
Income (loss) before income taxes	(12,436)	7,954	(9,914)	—	(14,396)
Income taxes	(7,004)	2,405	(2,591)	—	(7,190)
Net income (loss) from continuing operations	(5,432)	5,549	(7,323)	—	(7,206)
<b>Discontinued operations</b>					
Income from discontinued operations	—	—	15,597	—	15,597
Income taxes	—	—	6,235	—	6,235
Net income from discontinued operations	—	—	9,362	—	9,362
Equity in earnings of subsidiaries	6,061	512	—	(6,573)	—
Net income	629	6,061	2,039	(6,573)	2,156
Less net income attributable to noncontrolling interest, net of tax	—	—	1,527	—	1,527
Net income attributable to Oppenheimer Holdings Inc.	629	6,061	512	(6,573)	629
Other comprehensive income	—	—	900	—	900
Total comprehensive income	\$ 629	\$ 6,061	\$ 1,412	\$ (6,573)	\$ 1,529

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OPPENHEIMER HOLDINGS INC.  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Cash provided by (used in) operating activities	\$(34,449)	\$ 1,679	\$ (1,616 )	\$	—\$(34,386 )
Cash flows from investing activities:					
Purchase of furniture, equipment and leasehold improvements	—	—	(3,506 )	—	(3,506 )
Proceeds from the settlement of company-owned life insurance	—	—	1,194	—	1,194
Cash used in investing activities	—	—	(2,312 )	—	(2,312 )
Cash flows from financing activities:					
Cash dividends paid on Class A non-voting and Class B voting common stock	(4,394 )	—	—	—	(4,394 )
Cash dividends paid to noncontrolling interest	—	—	(2,448 )	—	(2,448 )
Repurchase of Class A non-voting common stock for cancellation	(7,464 )	—	—	—	(7,464 )
Payments for employee taxes withheld related to vested share-based awards	(2,232 )	—	—	—	(2,232 )
Issuance of senior secured note	200,000	—	—	—	200,000
Redemption of senior secured notes	(150,000 )	—	—	—	(150,000 )
Debt issuance costs	(1,183 )	—	—	—	(1,183 )
Increase in bank call loans, net	—	—	(15,700 )	—	(15,700 )
Cash provided by (used in) financing activities	34,727	—	(18,148 )	—	16,579
Net increase (decrease) in cash and cash equivalents	278	1,679	(22,076 )	—	(20,119 )
Cash and cash equivalents, beginning of the period	229	10,284	54,400	—	64,913
Cash and cash equivalents, end of the period	\$507	\$ 11,963	\$ 32,324	\$	—\$ 44,794

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OPPENHEIMER HOLDINGS INC.  
 CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Cash provided by (used in) operating activities	\$8,985	\$ 27,793	\$ (60,733 )	\$	—\$ (23,955 )
Cash flows from investing activities:					
Purchase of furniture, equipment and leasehold improvements	—	—	(4,397 )	—	(4,397 )
Proceeds from sale of assets	—	—	47,562	—	47,562
Cash provided by investing activities	—	—	43,165	—	43,165
Cash flows from financing activities:					
Cash dividends paid on Class A non-voting and Class B voting common stock	(4,417 )	—	—	—	(4,417 )
Cash dividends paid to noncontrolling interest	—	—	(5,740 )	—	(5,740 )
Repurchase of Class A non-voting common stock for cancellation	(3,832 )	—	—	—	(3,832 )
Payments for employee taxes withheld related to vested share-based awards	(1,341 )	—	—	—	(1,341 )
Increase in bank call loans, net	—	—	31,800	—	31,800
Cash provided by (used in) financing activities	(9,590 )	—	26,060	—	16,470
Net increase (decrease) in cash and cash equivalents	(605 )	27,793	8,492	—	35,680
Cash and cash equivalents, beginning of the period	907	2,586	59,871	—	63,364
Cash and cash equivalents, end of the period	\$302	\$ 30,379	\$ 68,363	\$	—\$ 99,044

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## 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, 2016.

The Company engages in a broad range of activities in the financial services 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 Inc. ("OAM"). As of September 30, 2017, the Company provided its services from 93 offices in 24 states located throughout the United States, and offices in Tel Aviv, Israel, Hong Kong, China, London, England, St. Helier, Isle of Jersey and Geneva, Switzerland. Client assets administered by the Company as of September 30, 2017 totaled approximately \$82.8 billion. The Company provides investment advisory services through OAM and Oppenheimer Investment Management LLC and Oppenheimer's Fahnstock Asset Management, Alpha and OMEGA Group divisions. As of September 30, 2017, client assets under management totaled \$27.2 billion. The Company provides trust services and products through Oppenheimer Trust Company of Delaware. The Company provides discount brokerage services through Freedom Investments, Inc. Through OPY Credit Corp., the Company offers syndication as well as trading of issued syndicated corporate loans. Oppenheimer Multifamily Housing & Healthcare Finance, Inc. ("OMHHF") was formerly engaged in Federal Housing Administration ("FHA")-insured commercial mortgage origination and servicing. During 2016, the Company sold substantially all of the assets of OMHHF and ceased its operations. As of September 30, 2017, the Company employed 3,002 employees (2,949 full-time and 53 part-time), of whom approximately 1,117 were financial advisers.

## Critical Accounting Policies

The Company's accounting policies are essential to understanding and interpreting the financial results reported on the condensed consolidated financial statements. The significant accounting policies used in the preparation of the Company's condensed consolidated financial statements are summarized in Note 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, 2016. 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 September 30, 2017, 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, 2016.

## 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 confidence, 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 and interest income as well as on liquidity. Substantial fluctuations can occur in revenue and net income due to these and other factors.

The Company is focused on growing its private client and asset management businesses through strategic additions of experienced financial advisers 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.

## Regulatory and Legal Environment

The brokerage business is subject to regulation by, among others, the Securities and Exchange Commission (the "SEC"), the Commodities Futures Trading Commission, the National Futures Association, the Municipal Securities

Rulemaking Board and the Financial Industry Regulatory Authority ("FINRA") in the United States, the Financial Conduct Authority in the United Kingdom, the Jersey Financial Services Commission in the Isle of Jersey, the Securities and Futures Commission in Hong Kong, and various state securities regulators in the United States. In addition, Oppenheimer Israel (OPCO) Ltd. ("OIL") operates under the supervision of the Israeli Securities Authority. Past events surrounding corporate accounting and other activities leading to investor losses resulted in the enactment of the Sarbanes-Oxley Act of 2002 and have caused increased regulation of public companies. The financial crisis of 2008-9 accelerated this trend. New regulations and new interpretations and enforcement of existing regulations have created increased costs of compliance and increased investment in systems and procedures to comply with these more complex and onerous requirements. The SEC and FINRA have increased their

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enforcement activities with the intent to bring more actions against firms and individuals with increased fines and sanctions for violations of existing rules as well as for conduct that stems from violations of new interpretations of existing rules. Various states are imposing their own regulations that make compliance more difficult and more expensive to monitor.

In July 2010, Congress enacted extensive legislation entitled the Wall Street Reform and Consumer Protection Act (the "Dodd Frank Act") 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 2008-9 financial crisis. This effort has extensively impacted the regulation and practices of financial institutions including the Company. The changes have significantly reduced leverage available to financial institutions and increased transparency to regulators and investors of risks taken by such institutions. New rules have been adopted to 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 retirement plans due to the adoption of a uniform fiduciary standard of care of broker-dealers and investment advisers providing personalized investment advice about securities to such plans, increase the disclosures provided to clients, and in some European jurisdictions create a tax on securities transactions. The Consumer Financial Protection Bureau has stated its intention to implement new rules affecting the interaction between financial institutions and consumers. Other rules may be enacted which may impact the Company. Recent announcements make it appear increasingly likely that the rules surrounding financial institutions may change in the U.S., including changes to the Dodd Frank Act.

In April 2016, the U.S. Department of Labor ("DOL") finalized its definition of fiduciary under the Employee Retirement Income Security Act (ERISA) through the release of new rules and changes to interpretations of six prohibited transaction exemptions which together set a new standard for the treatment and effects of advice given to retirement investors. Under this new rule, investment advice given to an employee benefit plan or an individual retirement account ("IRA") is considered fiduciary advice. As a result, financial service providers and advisers who provide investment advice will be required to meet "conflict of interest" standards, which is likely to limit commission-based compensation in favor of fee-based compensation plans. The rules will also limit the ability to render advice which may encourage the transfer of retirement assets from 401(k) and similar plans as well as pension plans to rollover IRA plans sponsored by financial service providers.

The DOL rules provide for a Best Interest Contract ("BIC") exemption, which would, under certain circumstances, allow advisers to continue to receive commissions under a contract with a retirement investor. However, there is no exemption available for sophisticated investors and a financial institution's failure to maintain and comply with the required anti-conflict of interest rules will result in a loss of the relief afforded by the BIC exemption and potential legal and regulatory sanctions. The Company presently expects to continue commission-based activity.

The new fiduciary standard definitions for investment advice were effective on June 9, 2016 with an applicable date for compliance that was originally scheduled for April 10, 2017. On April 7, 2017, the DOL delayed compliance with the new rule until June 9, 2017. The rules became applicable on that date. Full compliance with the BIC and other exemptions was delayed until January 1, 2018. In August 2017, the DOL terminated the comment period on a proposal to extend the January 1, 2018 date until July 1, 2019. It is not clear whether the extension will be granted. Various sections of the Dodd-Frank Act and DOL rules are currently under review by the Trump administration.

These rules may be subject to proposed changes and/or elimination.

Some forms of compensation traditionally associated with the recruiting of financial advisers and the ability of financial advisers to have clients transfer their IRA and retirement accounts have been impacted by the DOL Rules. The fiduciary rule also has implications for long term incentive programs designed to reward financial advisers for increasing their business and their assets under management and administration. The Company has reviewed its business and operating models in light of these new rules as they have brought significant structural and operational changes to the Company and are likely to have an impact on revenues derived from retirement accounts and the desirability of servicing such accounts except when they are participating in fixed fee based programs. Under the new rules, fiduciaries are subject to personal liability for losses resulting from a breach of their duties. The SEC

has announced its intention to adopt a fiduciary standard and accompanying rules for securities accounts; however, no details have been announced around either any such rules or the timing of any such adoption.

Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds (the "Volcker Rule") was published by the U.S. Federal Reserve Board as required by the Dodd-Frank Act in 2011. The Volcker Rule is intended to restrict U.S. banks and other financial institutions that accept deposits from conducting proprietary trading activities, as well as investing in hedge funds and private equity funds for their own account. The intent of the Volcker Rule is to reduce risk to the capital of such institutions through reducing speculation and risk-taking with bank capital. The Volcker Rule became effective on July 21, 2015. The U.S. Treasury Department has recently proposed that it will



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announce changes to the requirements of the Volcker Rule. No details on proposed changes have been issued. The Company believes that the Volcker Rule will not directly affect its operations, but indirect effects cannot be predicted with any certainty. Additionally, the Federal Reserve in conjunction with other U.S. regulatory organizations has analyzed the U.S. financial system and the impact that might result from the failure of one or more "Strategically Important Financial Institutions" ("SIFI"). To date, less than 50 such institutions have been identified and will be made subject to special regulations including the requirement to create a plan for their orderly demise in the event of a failure. Oppenheimer has not been identified as a SIFI. There can be no assurance that this list will not grow to include more SIFI institutions. The Company has no reason to believe that it will be identified as a SIFI. But, this requirement may have broader implications for the capital markets as capital becomes less available in various markets and markets become increasingly volatile.

The adoption of rules under Basel II have resulted in a number of large international banks adopting new business models which have included the abandonment of a variety of securities related businesses deemed to present excessive risks and requiring substantial capital that was not justified by the related returns. In addition, the European Commission recently adopted several acts under the revised Markets in Financial Instruments Directive (known as "MIFID II") that would prevent broker-dealers from "bundling" the cost of research together with trading commissions. The long term effects of these changes on the markets and on competition are impossible to predict. MIFID II becomes effective in the United Kingdom and in Europe in 2018 and is already having an impact on the manner in which business is being conducted in Europe. The ability to be compensated for equity research activities has been reduced and more institutional clients are making those payments that are available through cash payments rather than transaction based commissions.

In June 2016, in a referendum to consider the United Kingdom's continued participation in the European Common Market ("EC"), the United Kingdom voted in favor of withdrawing from the EC ("Brexit"). The British government instituted Rule 50 on March 30, 2017 thereby beginning a two-year period during which Great Britain will define its status effective with its departure from the EC. Brexit has created significant uncertainty in both the United Kingdom and in the other member states around its economic impact and the operating requirements for businesses located in the United Kingdom after the effective date which has led to fluctuations in the value of the British Pound based on news surrounding Brexit. The Company has a London-based business and the ability for it to passport its employees into the EU, post-Brexit, is in considerable doubt. In addition, a number of its London-based employees do not hold British passports and their continued employment in London is also in doubt. Given the lack of clarity on the ultimate impact of the Brexit vote, the Company cannot determine what, if any, impact this change may make on its operations, both inside and outside the United Kingdom.

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, have created significant costs of compliance and can be expected to continue to do so. FinCEN ("Financial Crimes Enforcement Network") has heightened their review of activities of broker-dealers where heretofore their focus had been on commercial banks. This increased focus is likely to lead to significantly higher levels of enforcement and higher fines and penalties on broker-dealers. Regulators have expanded their views of the requirements of the Patriot Act, as well as their views of the enforcement of the provisions of the Bank Secrecy Act and the Foreign Corrupt Practices Act with respect to the amount of diligence and on-going monitoring required by financial institutions of both their foreign and domestic clients and their activities. As a result, the Company has increased staffing, made additional investments in its due diligence systems, upgraded its monitoring systems and significantly revised its AML policies and procedures. In May 2016, FinCEN's proposed rule on customer due diligence was finalized with an effective date of May 11, 2018. The Trump Administration has announced its intention to ease the regulatory burden on businesses. There can be no assurance that such easing will in fact take place or that it will have a favorable impact on financial service providers such as the Company.

Pursuant to FINRA Rule 3130, 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 2017.

In September 2015, FINRA released Regulatory Notice 15-33 which provides guidance on effective liquidity risk management strategies. Based on the guidelines, broker-dealers are expected to rigorously evaluate their liquidity needs related to both market wide stress and idiosyncratic stresses, devote sufficient resources to measuring risks applicable to its business and report the results of measurement to senior management. This would include a review of whether those risks might be based on historical events that have affected the firm or other firms and stresses that could occur but have not yet been observed. Additionally, based on the guidelines, every broker-dealer needs to consider developing contingency plans for

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addressing those risks so that the firm will have sufficient liquidity to operate after the stress occurs while continuing to protect all customer assets, conduct stress tests and other reviews to evaluate the effectiveness of the contingency plans, have a training plan for its staff and have tested the processes on which it intends to rely if such stresses occur. The Company has reviewed these guidelines and has enhanced its liquidity risk management practices to better align with the guidance provided in Regulatory Notice 15-33.

Other Regulatory Matters

On January 27, 2015, the SEC approved an Offer of Settlement from Oppenheimer and issued an Order Instituting Administrative and Cease and Desist Proceedings (the "SEC Order"). Pursuant to the SEC Order, Oppenheimer was ordered to (i) cease and desist from committing or causing any violations of the relevant provisions of the federal securities laws; (ii) be censured; (iii) pay to the SEC \$10.0 million comprised of \$4.2 million in disgorgement, \$753,500 in prejudgment interest and \$5.1 million in civil penalties; and (iv) retain an independent consultant to review Oppenheimer's policies and procedures relating to anti-money laundering and Section 5 of the Securities Act of 1933.

Pursuant to the SEC Order, Oppenheimer made a payment of \$5.0 million to the SEC on February 17, 2015 and made a second payment of \$5.0 million to the SEC on January 26, 2017.

On February 19, 2015, the board of directors formed a Special Committee in order to engage an independent law firm to conduct a review of Oppenheimer and OAM's broker-dealer and investment adviser compliance processes and related internal controls and governance processes and provide recommendations to the Special Committee. On February 19, 2015, the Special Committee agreed to engage an independent law firm to conduct the aforementioned review. On April 22, 2015, the Special Committee agreed to retain Kalorama Partners LLC ("Kalorama") to act as the independent law firm. In July 2015, the Company created a Compliance Committee made up of independent directors to oversee the Company's compliance with applicable rules and regulations. In May 2017, the Board approved the assumption of the duties of the Special Committee by the Compliance Committee and the dissolution of the Special Committee. As part of its engagement of Kalorama, the Company agreed that the recommendations of Kalorama would be shared with the SEC. Moreover, Oppenheimer and OAM agreed to adopt the recommendations made by Kalorama for the FINRA IC and Additional IC Reports discussed below, subject to a process for any recommendations found by the Company to be impractical or overly burdensome.

In August 2015, Kalorama delivered a report as a result of a settlement reached by Oppenheimer with FINRA in a matter unrelated to the SEC matter discussed above (the "FINRA IC Report"). The FINRA IC Report was critical of the Company's governance practices, its management and its compliance program at the time of the review in 2015. The Company adopted and has implemented all of the recommendations made by Kalorama except for several technology projects that the Company expects to complete in 2017. The Company believes the changes made were responsive to the criticisms and recommendations made by Kalorama.

On December 15, 2016, the Company's agreement with Kalorama expired by its terms, although Kalorama had not yet delivered the reports required by the SEC. In May and June 2017, Kalorama delivered five additional reports, including two reports in connection with the January 2015 SEC Order, another report in connection with Oppenheimer's 2015 settlement with the SEC in connection with the SEC's Municipalities Continuing Disclosure Cooperation ("MCDC") initiative and two additional reports not arising out of any regulatory order (collectively, the "Additional IC Reports"). Each of the reports is currently being reviewed by the Company, including the Compliance Committee. The Additional IC Reports repeat a number of the criticisms regarding the Company's governance practices, its management and its compliance programs and include a substantial number of recommendations, a number of which appear in the FINRA IC Report. The Company believes it has already adopted and implemented a number of the recommendations made in the Additional IC Reports and expects that it will adopt and implement most of the remaining recommendations. However, there can be no assurances that the Company will be able to implement all of the recommendations as set forth in the Additional IC Reports and, to the extent the Company does not implement or provide a satisfactory alternative method of implementation, the Company may be exposed to further SEC or other regulatory enforcement action. Furthermore, implementation of the remaining recommendations

included in the Additional IC Reports or any recommendations made in any additional reports may be costly and time consuming, may divert management's attention from operating the Company's business and may have an adverse effect on the Company. The Company has incurred a significant amount of expenses in connection with the preparation of the FINRA IC Report and the Additional IC Reports and may continue to incur additional expenses related thereto.

Since early 2014, Oppenheimer has been responding to information requests from FINRA regarding the supervision of one of its former financial advisers who was indicted by the United States Attorney's Office for the District of New Jersey in March 2014 on allegations of insider trading. In August 2014, Oppenheimer received information requests from the SEC regarding supervision of the same financial adviser. A number of Oppenheimer employees have provided on-the-record testimony in connection with the SEC inquiry. Oppenheimer is continuing to cooperate with both the FINRA and SEC inquiries.

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For a number of years, the Company offered auction rate securities ("ARS") to its clients. A significant portion of the market in ARS 'failed' because, in the tight credit market in and subsequent to 2008, dealers were 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. Beginning in February 2008, uncertainties in the credit markets resulted in substantially all of the ARS market experiencing failed auctions. Certain clients of the Company continue to hold ARS in their individual or corporate accounts.

Once the auctions failed, the ARS could no longer be valued using observable prices set in the auctions. The Company has also developed an internal methodology to discount for the lack of liquidity and non-performance risk of the failed auctions. Due to liquidity problems associated with the ARS market, ARS that lack liquidity are setting their interest rates according to a maximum rate formula defined in their registration statements.

The Company has sought financing from a number of sources, with limited success, in order to try to find a means for all its clients to find liquidity from their ARS holdings. It seems likely that liquidity will ultimately come from issuer redemptions and tender offers which, to date, combined with purchases by the Company have reduced client holdings by approximately 96%. There can be no assurance that the Company will be successful in finding a liquidity solution for all its clients' ARS. See "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" appearing in Exhibit 99.1 of the Company's Current Report on Form 8-K filed on June 7, 2017 and "Factors Affecting 'Forward-Looking Statements'" herein.

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client related legal settlements and awards to purchase ARS, as of September 30, 2017, the Company purchased and holds (net of redemptions) approximately \$109.0 million in ARS from its clients. As of September 30, 2017, the Company had \$5.0 million of outstanding ARS purchase commitments related to the settlements with the Regulators. In addition, the Company is committed to purchase another \$10.5 million from clients through 2020 under legal settlements and awards. See "Legal Proceedings" herein.

The ARS positions that the Company owns and is committed to purchase 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.

The Company's clients held at Oppenheimer approximately \$54.8 million of ARS as of September 30, 2017 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. See "Off-Balance Sheet Arrangements" herein for additional details.

### Other Matters

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. In particular, many states have become more aggressive and have imposed larger fines in connection with state registration violations than was heretofore the case.

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. See "Legal Proceedings" herein.

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### 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 exceed historic levels due to business and regulatory requirements. The Company maintains a data center which is housed in a location different from its headquarters. The move to new headquarters in 2012 required additional outlays for business continuity purposes although considerable savings have begun to be realized by the availability of independent electric generating capacity for the entire building which will support the Company's infrastructure and occupancy. The Company continues to review the adequacy of its remote data center and anticipates that, over the next few years, it may make a determination to move the center to a more remote location than where it currently resides.

The fourth quarter of 2012 was impacted by Superstorm Sandy which occurred on October 29, 2012 causing the Company to vacate its two principal offices in downtown Manhattan and displacing 800 of the Company's employees including substantially all of its capital markets, operations and headquarters staff for in excess of 30 days. The Company continues to review, both internally and with vendors, the infrastructure necessary to withstand a similar event in light of the issues that arose in the fall of 2012.

### Cybersecurity

The Company has been focused for many years on the issues of maintaining the security of its clients' data, access to its data processing environment and its data processing facilities. Recent examples of vulnerabilities by other companies and the government which have resulted in loss of client data and fraudulent activities by both domestic and foreign actors have caused the Company to review its security policies and procedures and to take additional actions to protect its network and its information. Such threats are ongoing.

Given the importance of protection of client data, regulators have developed increased oversight of cybersecurity planning and protections which have been put in place by broker-dealers and other financial service providers. Such planning and protection are subject to oversight and examination on a periodic or targeted basis by the SEC and FINRA. Such oversight is expected to intensify, given recent data breaches by other organizations, that have been announced involving tens of millions of individuals' personally identifiable information. The Company continues to adopt procedures to address the risks posed by the current environment. The Company has significantly increased the resources dedicated to this effort and believes that further increases will be required in the future, as the sophistication and persistency of such attacks increase.

### Outlook

The Company recognizes the increased focus on compliance with the regulatory requirements of our industry, and we must continue to perform a rigorous and ongoing assessment of our compliance and risk management efforts, invest in people and programs, all while continuing to provide a platform with first class investment ideas and services. The Company is committed to improving its technology capabilities to ensure compliance with industry regulations, support client service and expand its capital markets capabilities. The Company's long-term growth plan is to continue to expand existing offices by hiring experienced professionals as well as expand 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.

The Company is also reviewing its full service business model to determine the opportunities available for closely related business models in areas where competitors have shown some success. 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 potential acquisition opportunities and will continue to focus its attention on the management of its existing business and has disposed and may continue, from time to time, to dispose of businesses that are no longer strategic to its business operations or which have limited opportunities for growth. In June 2017, the Company refinanced its outstanding indebtedness and may under some circumstances utilize a portion of the money raised in excess of the pay-down of its

previous bond issue for the acquisition of related businesses.

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## Results of Operations

The Company reported net income attributable to Oppenheimer Holdings Inc. of \$7.8 million or \$0.59 basic net income per share for the third quarter of 2017 compared with a net loss attributable to Oppenheimer Holdings Inc. of \$712,000 or \$0.05 basic net loss per share for the third quarter of 2016. Income before income taxes from continuing operations was \$11.8 million for the third quarter of 2017 compared with a loss before income taxes from continuing operations of \$1.8 million for the third quarter of 2016. Net income from discontinued operations was \$461,000 for the third quarter of 2017 compared with net income from discontinued operations of \$413,000 for the third quarter of 2016. Revenue from continuing operations for the third quarter of 2017 was \$226.2 million compared with revenue from continuing operations of \$211.8 million for the third quarter of 2016, an increase of 6.8%. Revenue from discontinued operations for the third quarter of 2017 was \$785,000 compared with revenue from discontinued operations of \$1.8 million for the third quarter of 2016.

The following table and discussion summarizes the changes in the major revenue and expense categories for the three and nine months ended September 30, 2017 compared with the same period in 2016:

(Expressed in thousands)	For the Three Months Ended September 30, 2017		For the Nine Months Ended September 30, 2017	
	Amount	% Change	Amount	% Change
Revenue				
Commissions	\$(12,388)	(13.8 )	\$(38,243)	(13.4 )
Advisory fees	6,877	10.2	16,939	8.5
Investment banking	3,660	18.0	5,803	11.3
Interest	1,661	14.7	6	—
Principal transactions, net	213	4.3	(3,307)	(17.3 )
Other	14,393	80.7	35,333	77.1
Total revenue	14,416	6.8	16,531	2.6
Expenses				
Compensation and related expenses	(218 )	(0.2 )	(3,899 )	(0.9 )
Communications and technology	580	3.4	1,367	2.6
Occupancy and equipment costs	379	2.5	925	2.1
Clearing and exchange fees	(264 )	(4.5 )	(1,614 )	(8.5 )
Interest	1,813	38.7	4,184	28.8
Other	(1,512 )	(5.3 )	(1,994 )	(2.2 )
Total expenses	778	0.4	(1,031 )	(0.2 )
Income (Loss) before income taxes from continuing operations	13,638	*	17,562	*
Income taxes	5,176	*	9,654	*
Net income (loss) from continuing operations	8,462	*	7,908	*
Discontinued operations				
Income from discontinued operations	(119 )	(13.4 )	(13,763 )	(88.2 )
Income taxes	(167 )	(35.2 )	(5,502 )	(88.2 )
Net income from discontinued operations	48	11.6	(8,261 )	(88.2 )
Net income (loss)	8,510	*	(353 )	(16.4 )
Less net income attributable to noncontrolling interest, net of tax	9	13.6	(1,347 )	(88.2 )
Net income (loss) attributable to Oppenheimer Holdings Inc.	\$8,501	*	\$994	158.0

\*Percentage not meaningful.



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Third Quarter 2017

Revenue

Commission revenue was \$77.6 million for the third quarter of 2017, a decrease of 13.8% compared with \$90.0 million for the third quarter of 2016 due to reduced transaction volumes from retail and institutional investors and a lower financial adviser headcount during the third quarter of 2017.

Advisory fees were \$74.3 million for the third quarter of 2017, an increase of 10.2% compared with \$67.5 million for the

third quarter of 2016 due to a higher level of client assets under management.

Investment banking revenue increased 18.0% to \$23.9 million for the third quarter of 2017 compared with \$20.3 million for the third quarter of 2016 due to higher equity and debt underwriting fees partially offset by lower merger and acquisition advisory fees during the third quarter of 2017.

Interest revenue was \$13.0 million for third quarter of 2017, an increase of 14.7% compared with \$11.3 million for the third quarter of 2016. The increase is attributable to an increase in interest revenue on margin extended to customers offset by a decrease in interest earned on U.S. Government and Agency securities during the third quarter of 2017.

Principal transactions revenue increased 4.3% to \$5.1 million for the third quarter of 2017 compared with \$4.9 million for the third quarter of 2016 due to higher income from fixed income trading during the third quarter of 2017.

Other revenue was \$32.2 million for the third quarter of 2017, an increase of 80.7% compared to \$17.8 million for the third quarter of 2016. The increase is primarily due to higher fees earned on client deposits in the FDIC-insured bank deposit program and a favorable arbitration award during the third quarter of 2017.

Expenses

Compensation and related expenses (including salaries, production and incentive compensation, share-based compensation,

deferred compensation, and other benefit-related items) totaled \$142.1 million during the third quarter of 2017, roughly flat compared with the third quarter of 2016. Lower production-related expenses were offset by higher incentive and share-based compensation costs during the third quarter of 2017. Compensation and related expenses as a percentage of revenue was 62.8% during the third quarter of 2017 compared with 67.2% during the third quarter of 2016.

Non-compensation expenses were \$72.3 million during the third quarter of 2017, an increase of 1.4% compared with \$71.3 million during the third quarter of 2016 due to higher interest and external portfolio manager expenses partially offset by lower legal and regulatory costs during the third quarter of 2017.

The effective income tax rate from continuing operations for the third quarter of 2017 was 37.4% compared with 41.5% for the third quarter of 2016 and reflects the Company's estimate of the annual effective tax rate adjusted for certain discrete items.

Year-to-date 2017

Revenue

Commission revenue was \$248.2 million for the nine months ended September 30, 2017, a decrease of 13.4% compared with \$286.4 million for the nine months ended September 30, 2016 due to reduced transaction volumes from retail and institutional investors and a lower financial adviser headcount during the nine months ended September 30, 2017.

Advisory fees were \$216.5 million for the nine months ended September 30, 2017, an increase of 8.5% compared with \$199.6 million for the nine months ended September 30, 2016. Assets under management increased 2.9% from \$24.1 billion to \$24.8 billion from December 31, 2015 to December 31, 2016, and 7.4% from \$24.3 billion to \$26.1 billion from June 30, 2016 to June 31, 2017, which contributed to the aforementioned advisory fee increase as the fees are calculated quarterly based on the market value at the end of the previous period.

Investment banking revenue increased 11.3% to \$57.3 million for the nine months ended September 30, 2017 compared with \$51.5 million for the nine months ended September 30, 2016 due to higher debt and equity underwriting fees offset by lower merger and acquisition advisory fees during the nine months ended September 30, 2017.

Interest revenue was \$36.3 million for the nine months ended September 30, 2017, flat compared with \$36.3 million for the nine months ended September 30, 2016.

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Principal transactions revenue decreased 17.3% to \$15.8 million for the nine months ended September 30, 2017 compared with \$19.1 million for the nine months ended September 30, 2016 due to lower income from fixed income trading and changes in the fair value of ARS partially offset by increases in the value of firm investments during the nine months ended September 30, 2017.

Other revenue was \$81.1 million for the nine months ended September 30, 2017, an increase of 77.1% compared to \$45.8 million for the nine months ended September 30, 2016. The increase is primarily due to higher fees earned on client deposits in the FDIC-insured bank deposit program, positive changes in the cash surrender value of Company-owned life insurance and a favorable arbitration award during the nine months ended September 30, 2017.

**Expenses**  
Compensation and related expenses (including salaries, production and incentive compensation, share-based compensation, deferred compensation, and other benefit-related items) totaled \$428.6 million for the nine months ended September 30, 2017, a decrease of 0.9% compared to \$432.5 million for the nine months ended September 30, 2016. The decrease was due to lower salaries and production-related expenses offset by higher incentive and deferred compensation expenses during the nine months ended September 30, 2017. Compensation and related expenses as a percentage of revenue was 65.4% during the nine months ended September 30, 2017 compared to 67.7% during the nine months ended September 30, 2016.

Non-compensation expenses were \$223.6 million during the nine months ended September 30, 2017, an increase of 1.3% compared to \$220.7 million for the nine months ended September 30, 2016 due to a value-added tax ("VAT") assessment levied by the Israel VAT Authority and higher interest expenses offset by lower legal and regulatory costs during the nine months ended September 30, 2017.

The table below presents information about the reported revenue and income (loss) before income taxes from continuing operations of the Company's reportable business segments for the three and nine months ended September 30, 2017 and 2016:

(Expressed in thousands)

	For the Three Months Ended			For the Nine Months Ended		
	September 30,		% Change	September 30,		% Change
	2017	2016		2017	2016	
<b>Revenue</b>						
Private Client <sup>(1)</sup>	\$147,428	\$127,835	15.3	\$425,069	\$376,737	12.8
Asset Management <sup>(1)</sup>	19,277	23,234	(17.0 )	57,247	68,978	(17.0 )
Capital Markets	58,808	60,703	(3.1 )	168,418	187,292	(10.1 )
Corporate/Other	707	32	2,109.4	4,631	5,827	(20.5 )
	\$226,220	\$211,804	6.8	\$655,365	\$638,834	2.6
<b>Income (loss) before income taxes</b>						
Private Client <sup>(1)</sup>	\$36,950	\$20,137	83.5	\$93,763	\$50,799	84.6
Asset Management <sup>(1)</sup>	3,338	9,380	(64.4 )	11,130	21,851	(49.1 )
Capital Markets	(1,639 )	(1,103 )	48.6	(25,235 )	(3,856 )	554.4
Corporate/Other	(26,821 )	(30,224 )	(11.3 )	(76,492 )	(83,190 )	(8.1 )
	\$11,828	\$(1,810 )	(753.5 )	\$3,166	\$(14,396 )	(122.0 )

<sup>(1)</sup> Effective January 1, 2017, the allocation of advisory fees between Private Client and Asset Management changed from 77.5% and 22.5% to 90.0% and 10.0%, respectively.

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## Private Client

Private Client reported revenue of \$147.4 million for the third quarter of 2017, 15.3% higher than the third quarter of 2016 due to increased advisory fee revenue from higher client assets under management, changes in the revenue allocation with the Asset Management segment (see below) and higher fees earned on client deposits in the FDIC-insured bank deposit program offset by lower retail commissions during the third quarter of 2017. The third quarter of 2017 was also positively impacted by an arbitration award and insurance proceeds, totaling \$4.1 million. Income before income taxes was \$37.0 million for the third quarter of 2017, an increase of 83.5% compared with the third quarter of 2016 due to the increases in revenue referred to above during the third quarter of 2017.

Client assets under administration were \$82.8 billion at September 30, 2017 compared with \$77.2 billion at December 31, 2016, an increase of 7.3%.

Financial adviser headcount was 1,117 at the end of the third quarter of 2017, down from 1,177 at the end of the third quarter of 2016. The decline in financial adviser headcount since the third quarter of 2016 has resulted from the Company's attention to adviser productivity leading to attrition for less productive financial advisers. The decline in headcount also has been impacted by retirements and normal attrition.

Retail commissions were \$48.1 million for the third quarter of 2017, a decrease of 11.6% from the third quarter of 2016 due to reduced transaction volumes from retail investors and a lower financial adviser headcount during the third quarter of 2017.

Advisory fee revenue on traditional and alternative managed products was \$55.2 million for the third quarter of 2017, an increase of 22.1% from the third quarter of 2016 (see Asset Management below for further information). The increase in advisory fees was due to the increase in the value of client assets under management ("AUM") and the change in the allocation of advisory fees between the Private Client and Asset Management segments, effective January 1, 2017, which contributed to an increase of \$5.6 million in revenue in the Private Client segment.

Fees earned on client cash deposits in the FDIC-insured bank deposit program were \$21.1 million during the third quarter of 2017 versus \$9.6 million for the third quarter of 2016. The increase was due primarily to higher short-term interest rates during the third quarter of 2017.

## Asset Management

Asset Management reported revenue of \$19.3 million for the third quarter of 2017, 17.0% lower than the third quarter of 2016 primarily due to the change in revenue allocation (see below). Income before income taxes was \$3.3 million for the third quarter of 2017, a decrease of 64.4% compared with the third quarter of 2016.

Advisory fee revenue on traditional and alternative managed products was \$19.1 million for the third quarter of 2017, a decrease of 14.3% from the third quarter of 2016. Advisory fees are calculated based on the value of AUM at the end of the prior quarter which totaled \$26.1 billion at June 30, 2017 (\$24.3 billion at June 30, 2016) and are allocated to the Private Client and Asset Management business segments. Advisory fees decreased \$5.6 million due to the change in the allocation of advisory fees between the Private Client and Asset Management segments which became effective January 1, 2017.

At September 30, 2017, AUM hit a record high of \$27.2 billion, an increase of 10.6% compared with \$24.6 billion at September 30, 2016. AUM at September 30, 2017 is the basis for advisory fee billings for the fourth quarter of 2017. The increase in AUM was comprised of asset appreciation of \$1.7 billion and net contributions of assets of \$0.9 billion.

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The following table provides a breakdown of the change in assets under management for the three months ended September 30, 2017:

(Expressed in millions)

Fund Type	For the Three Months Ended September 30, 2017				
	Beginning Balance	Contributions	Redemptions	Appreciation (Depreciation)	Ending Balance
Traditional <sup>(1)</sup>	\$22,347	\$ 824	\$ (472 )	\$ 600	\$23,299
Institutional Fixed Income <sup>(2)</sup>	1,191	28	(549 )	9	679
Alternative Investments:					
Hedge Funds <sup>(3)</sup>	2,376	73	(102 )	188	2,535
Private Equity Funds <sup>(4)</sup>	168	—	—	(12 )	156
Portfolio Enhancement Program <sup>(5)</sup>	—	540	—	—	540
	\$26,082	\$ 1,465	\$ (1,123 )	\$ 785	\$27,209

- (1) Traditional investments include third party advisory programs, Oppenheimer financial adviser managed and advisory programs, and Oppenheimer Asset Management taxable and tax-exempt portfolio management strategies.
- (2) Institutional fixed income provides solutions to institutional investors including: Taft-Hartley Funds, Public Pension Funds, Corporate Pension Funds, and Foundations and Endowments.
- (3) Hedge funds represent single manager hedge fund strategies in areas including hedged equity, technology and financial services, and multi-manager and multi-strategy fund of funds.
- (4) Private equity funds represent private equity fund of funds including portfolios focused on natural resources and related assets.
- (5) Portfolio enhancement program sells uncovered, far out-of-the-money puts and calls on the S&P 500 Index. The program is market neutral and un-correlated to the index.

### Capital Markets

Capital Markets reported revenue of \$58.8 million for the third quarter of 2017, 3.1% lower than the third quarter of 2016 due to lower institutional equities and fixed income commissions offset by higher fees from investment banking activities during the third quarter of 2017. Loss before income taxes was \$1.6 million for the third quarter of 2017, compared with a loss before income taxes of \$1.1 million for the third quarter of 2016 due to the decreases in revenue referred to above offset by lower salaries and production-related compensation expenses during the third quarter of 2017.

Institutional equities commissions decreased 14.0% to \$21.5 million for the third quarter of 2017 compared with the third quarter of 2016 due to lower volatility and trading volumes in the equity markets.

Advisory fees from investment banking activities decreased 47.7% to \$6.8 million in the third quarter of 2017 compared with the third quarter of 2016 due to lower fees earned on completed mergers and acquisitions transactions during the third quarter of 2017.

Equity underwriting fees increased 234.3% to \$11.7 million for the third quarter of 2017 compared with the third quarter of 2016 due to the Company's increased focus on equity issuance and penetration in the healthcare and technology sectors leading to higher equity underwriting activity during the period.

Revenue from Taxable Fixed Income decreased 7.6% to \$13.3 million for the third quarter of 2017 compared with the third quarter of 2016 due to low volatility which led to decreased institutional fixed income activity during the third quarter of 2017.

Public Finance and Municipal Trading revenue increased 16.7% to \$3.5 million for the third quarter of 2017 compared with the third quarter of 2016.

Table of Contents**Liquidity and Capital Resources**

At September 30, 2017, total assets increased by 12.1% from December 31, 2016 primarily due to increases in securities owned. The Company satisfies its need for short-term financing from internally generated funds and collateralized and uncollateralized borrowings, consisting primarily of bank call loans, stock loans, and uncommitted lines of credit. The Company finances its trading in government securities through the use of securities sold under agreements to repurchase ("repurchase agreements"). The Company's longer-term capital needs have been met through the issuance of the 6.75% Senior Secured Notes due 2022 (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 notes receivable from employees, investment in furniture, equipment and leasehold improvements, and changes in stock loan balances and financing through repurchase agreements.

Oppenheimer has arrangements with banks for borrowings on a fully-collateralized basis. At September 30, 2017, the Company had \$130.1 million of such borrowings outstanding compared to outstanding borrowings of \$145.8 million at December 31, 2016. The Company also has some availability of short-term bank financing on an unsecured basis. Volatility in the financial markets and ongoing concerns about the speed and degree of economic recovery has had an adverse effect on the availability of credit through traditional sources. As a result of concerns around financial markets generally and the strength of counterparties specifically, lenders have reduced and, in some cases, ceased to provide funding on both a secured and unsecured basis to financial service providers.

The Company's overseas subsidiaries, Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited, are subject to local regulatory capital requirements which restrict the Company's ability to utilize this capital for other purposes. The regulatory capital requirements for Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited were \$4.0 million and \$387,000, respectively, at September 30, 2017. See Note 12 to the condensed consolidated financial statements appearing in Item 1 for further details. The liquid assets at Oppenheimer Europe Ltd. are primarily comprised of cash deposits in bank accounts. The liquid assets at Oppenheimer Investments Asia Limited are primarily comprised of investments in U.S. Treasuries and cash deposits in bank accounts. Any restrictions on transfer of these liquid assets from Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited to the Company or its other subsidiaries would be limited by the regulatory capital requirements.

The Company permanently reinvests eligible earnings of its foreign subsidiaries in such subsidiaries and, accordingly, does not accrue any U.S. income taxes that would arise if these earnings were repatriated. The unrecognized deferred tax liability associated with earnings of foreign subsidiaries, net of associated U.S. foreign tax credits, is estimated at \$1.9 million for those subsidiaries with respect to which the Company would be subject to residual U.S. tax on cumulative earnings through September 30, 2017 were those earnings to be repatriated. The Company intends to continue to reinvest permanently the excess earnings of OIL in its own business and in the businesses in Europe and Asia to support business initiatives in those regions.

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings concerning Oppenheimer's marketing and sale of ARS. Pursuant to those settlements and legal settlements and awards, the Company has purchased and will, subject to the terms and conditions of the settlements, continue to purchase ARS on a periodic basis. 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 legal and other actions by clients during the relevant period which cannot be predicted. See "Off-Balance Sheet Arrangements" herein.

Additional settlements of regulatory matters could have an adverse effect on the Company's liquidity depending on the size and composition of any such settlement.

**Refinancing**

On June 23, 2017, the Company issued in a private offering \$200.0 million aggregate principal amount of 6.75% Senior Secured Notes due 2022 (the "6.75% Notes") under an indenture at an issue price of 100% of the principal amount. On September 19, 2017, the Company completed an exchange offer in which the Company exchanged 99.8% of its unregistered 6.75% Notes for a like principal amount of notes with identical terms except that such new notes have been registered under the Securities Act of 1933, as amended (the "Notes"). The Company did not receive any



proceeds in the exchange offer. The interest on the Notes is payable semi-annually on January 1st and July 1st, beginning January 1, 2018. The Company used a portion of the net proceeds from the offering of the Notes to redeem in full its 8.75% Senior Secured Notes due April 15, 2018 in the principal amount of \$120.0 million, and pay all related fees and expenses related thereto. See Note 9 to the condensed consolidated financial statements appearing in Item 1 for further discussion.

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On June 15, 2017, S&P upgraded the Company's 'B' Corporate Family rating and 'B' rating on the Notes to 'B+' with a stable outlook. On June 15, 2017, Moody's Corporation affirmed the Company's 'B2' Corporate Family rating and 'B1' rating on the Notes and affirmed its stable outlook.

Liquidity

For the most part, the Company's assets consist of cash and cash equivalents and assets which can be readily converted into cash. Receivable from brokers, 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. The Company's 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 \$4.6 million in forgivable notes to employees (which are inherently illiquid) for the three months ended September 30, 2017 (\$1.8 million for the three months ended September 30, 2016) as upfront or backend inducements. The amount of funds allocated to such inducements will vary with hiring activity.

The Company satisfies its need for short-term liquidity from internally generated funds, collateralized and uncollateralized bank borrowings, stock loans and repurchase agreements and warehouse facilities. Bank borrowings are collateralized by firm and customer 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 Trump Administration has announced its intention to propose changes to the rules surrounding the taxation of companies' non-U.S. earnings that would have the effect of making it more attractive to repatriate such earnings. There is no way of knowing if such rule changes will be adopted or, if so, if they will result in the Company repatriating its foreign earnings.

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 September 30, 2017, bank call loans were \$130.1 million (\$145.8 million at December 31, 2016 and \$132.0 million at September 30, 2016). The average daily bank loan outstanding for the three and nine months ended September 30, 2017 was \$105.7 million and \$137.9 million, respectively (\$94.0 million and \$101.1 million for the three and nine months ended September 30, 2016, respectively). The largest daily bank loan outstanding for the three and nine months ended September 30, 2017 was \$230.4 million and \$247.6 million, respectively (\$170.3 million and \$192.2 million for the three and nine months ended September 30, 2016, respectively). The average weighted interest rate on bank call loans applicable on September 30, 2017 was 2.17%.

At September 30, 2017, securities loan balances totaled \$179.2 million (\$179.9 million at December 31, 2016 and \$133.2 million at September 30, 2016). The average daily securities loan balance for the three and nine months ended September 30, 2017 was \$170.4 million and \$162.8 million, respectively (\$149.9 million and \$174.0 million for the three and nine months ended September 30, 2016, respectively). The largest daily stock loan balance for the three and nine months ended September 30, 2017 was \$208.8 million (\$177.7 million and \$241.7 million for the three and nine months ended September 30, 2016, respectively).

The Company finances its government trading operations through the use of securities purchased under agreements to resell ("reverse repurchase agreements") and repurchase agreements. Except as described below, repurchase and reverse repurchase 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 reverse repurchase agreements are presented on a net-by-counterparty basis, when the repurchase and reverse repurchase 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 reverse repurchase agreements exist in "book entry" form and certain other requirements are met. Certain of the Company's repurchase agreements and reverse repurchase 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 reverse repurchase agreements that do not settle overnight or have an open settlement date. 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. As of September 30, 2017, the Company did not have any reverse repurchase agreements and repurchase agreements for which the fair value option was elected.

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At September 30, 2017, the gross balances of reverse repurchase agreements and repurchase agreements were \$241.6 million and \$640.2 million, respectively. The average daily balance of reverse repurchase agreements and repurchase agreements on a gross basis for the three months ended September 30, 2017 was \$200.4 million and \$601.3 million, respectively (\$281.3 million and \$741.9 billion, respectively, for the three months ended September 30, 2016). The largest amount of reverse repurchase agreements and repurchase agreements outstanding on a gross basis during the three months ended September 30, 2017 was \$303.4 million and \$741.3 million, respectively (\$432.0 million and \$864.2 billion, respectively, for the three months ended September 30, 2016).

At September 30, 2017, the gross leverage ratio was 5.0

**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.

The Company regularly reviews its sources of liquidity and financing and conducts internal stress analysis to determine the impact on the Company of events that could remove sources of liquidity or financing and to plan actions the Company could take in the case of such an eventuality. The Company's reviews have resulted in plans that the Company believes would result in a reduction of assets through liquidation that would significantly reduce the Company's need for external financing.

**Funding Risk**

(Expressed in thousands)

	For the Nine Months Ended September 30,	
	2017	2016
Cash used in operating activities	\$(34,386)	\$(23,955)
Cash (used in) provided by investing activities	(2,312)	43,165
Cash provided by financing activities	16,579	16,470
Net (decrease) increase in cash and cash equivalents	\$(20,119)	\$35,680

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. Changes in capital requirements under international standards that will impact the costs and relative returns on loans may cause banks including those with whom the Company relies to back away from providing funding to the securities industry. Such a development might impact the Company's ability to finance its day to day activities or increase the costs to acquire funding. The Company may or may not be able to pass such increased funding costs on to its clients. (See "Factors Affecting 'Forward-Looking Statements'".) In June 2017, the Company refinanced its outstanding indebtedness. See "Refinancing" above in this section.

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Other Matters

During the third quarter of 2017, the Company purchased and canceled 143,010 shares of Class A non-voting common stock ("Class A Stock") for a total consideration of \$2.3 million pursuant to its share repurchase program. On October 27, 2017, the board of directors declared a regular quarterly cash dividend of \$0.11 per share of Class A Stock and Class B voting common stock ("Class B Stock") payable on November 24, 2017 to stockholders of record on November 10, 2017.

The book value of the Company's Class A Stock and Class B Stock was \$38.48 at September 30, 2017 compared to \$38.22 at December 31, 2016, based on total outstanding shares of 13,109,313 and 13,368,104, respectively.

The diluted weighted average number of shares of Class A Stock and Class B Stock outstanding for the three months ended September 30, 2017 was 13,763,516 compared to 13,366,863 outstanding for the same period in 2016.

Off-Balance Sheet Arrangements

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. At September 30, 2017, the Company had \$5.0 million of outstanding ARS purchase commitments related to the settlements with the Regulators. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers under the settlements with the Regulators and client related legal settlements and awards to purchase ARS, as of September 30, 2017, the Company purchased and holds (net of redemptions) approximately \$109.0 million in ARS from its clients. In addition, the Company is committed to purchase another \$10.5 million in ARS from clients through 2020 under legal settlements and awards.

The Company's purchases of ARS from its clients holding ARS eligible for repurchase will, subject to the terms and conditions of the settlements with the Regulators, continue on a periodic basis. Pursuant to these terms and conditions, the Company is required to conduct a financial review every six months, until the Company has extended Purchase Offers to all Eligible Investors to determine whether it has funds available, after giving effect to the financial and regulatory capital constraints applicable to the Company, to extend additional Purchase Offers. The financial review is based on the Company's operating results, regulatory net capital, liquidity, and other ARS purchase commitments outstanding under legal settlements and awards (described below). There are no predetermined quantitative thresholds or formulas used for determining the final agreed upon amount for the Purchase Offers. Upon completion of the financial review, the Company first meets with its primary regulator, FINRA, and then with representatives of the NYAG and other regulators to present the results of the review and to finalize the amount of the next Purchase Offer. Various offer scenarios are discussed in terms of which Eligible Investors should receive a Purchase Offer. The primary criteria to date in terms of determining which Eligible Investors should receive a Purchase Offer has been the amount of household account equity each Eligible Investor had with the Company in February 2008. Once various Purchase Offer scenarios have been discussed, the Regulators, not the Company, make the final determination of which Purchase Offer scenario to implement. The terms of settlements provide that the amount of ARS to be purchased during any period shall not risk placing the Company in violation of regulatory requirements.

Outside of the settlements with the Regulators, the Company has also reached various legal settlements with clients and received unfavorable legal awards requiring it to purchase ARS. The terms and conditions including the ARS amounts committed to be purchased under legal settlements are based on the specific facts and circumstances of each legal proceeding. In most instances, the purchase commitments are in increments and extend over a period of time. At September 30, 2017, no ARS purchase commitments related to legal settlements extended past 2020. To the extent the Company receives an unfavorable award, the Company usually must purchase the ARS provided for by the award within 30 days of the rendering of the award. The ultimate amount of ARS to be repurchased by the Company under both the settlements with the Regulators and the legal settlements and awards cannot be predicted with any certainty and will be impacted by redemptions by issuers, the Company's financial and regulatory constraints, and legal and other actions by clients during the relevant period, which also cannot be predicted.



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The ARS positions that the Company owns and are committed to purchase 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. At September 30, 2017, the amount of ARS held by the Company that was below investment grade was \$25,000 and the amount of ARS that was unrated was \$25,000.

(Expressed in thousands)

Auction Rate Securities Owned and Committed to Purchase at September 30, 2017

Product	Principal	Valuation Adjustment	Fair Value
Auction Rate Securities Owned <sup>(1)</sup>	\$ 109,000	\$ 2,216	\$ 106,784
ARS Commitments to Purchase Pursuant to: <sup>(2)(3)</sup>			
Settlements with the Regulators <sup>(4)</sup>	5,000	118	4,882
Legal Settlements and Awards <sup>(5)</sup>	10,523	158	10,365
Total	\$ 124,523	\$ 2,492	\$ 122,031

(1) Principal amount represents the par value of the ARS and is included in securities owned on the condensed consolidated balance sheet at September 30, 2017. The valuation adjustment amount is included as a reduction to securities owned on the condensed consolidated balance sheet at September 30, 2017.

(2) Principal amount represents the present value of the ARS par value that the Company is committed to purchase at a future date. This principal amount is presented as an off-balance sheet item. The valuation adjustment is included in accounts payable and other liabilities on the condensed consolidated balance sheet at September 30, 2017.

(3) Specific ARS to be purchased under ARS Purchase Commitments are unknown until the beneficial owner selects the individual ARS to be purchased.

(4) Commitments to purchase under settlements with the Regulators at September 30, 2017. Eligible Investors for future buybacks under the settlements with the Regulators held approximately \$30.6 million of ARS as of September 30, 2017.

(5) Commitments to purchase under various legal settlements and awards with clients through 2020.

Per the above table, the Company has recorded a valuation adjustment on its ARS owned and ARS purchase commitments of \$2.5 million as of September 30, 2017. The valuation adjustment is comprised of \$2.2 million which represents the difference between the principal value and the fair value of the ARS the Company owned as of September 30, 2017 and \$276,000 which represents the difference between the principal value and the fair value of the ARS the Company is committed to purchase under the settlements with the Regulators and legal settlements and awards. At September 30, 2017, the Company had \$5.0 million of outstanding ARS purchase commitments related to the settlements with the Regulators. Eligible Investors for future buybacks under the settlements with the Regulators held approximately \$30.6 million of ARS as of September 30, 2017. Since the Company was not committed to purchase this amount as of September 30, 2017, there were no valuation adjustments booked to recognize the difference between the principal value and the fair value for this remaining amount.

Additional information concerning the Company's off-balance sheet arrangements is included in Note 6 to the condensed consolidated financial statements appearing in Item 1 herein.

#### Contractual and Contingent Obligations

The following table sets forth the Company's contractual obligations as of September 30, 2017:

(Expressed in thousands)

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating Lease Obligations	\$ 245,432	\$ 41,838	\$ 68,086	\$ 47,073	\$ 88,435
Committed Capital	1,401	1,401	—	—	—
Senior Secured Notes <sup>(1)(2)</sup>	267,838	13,238	27,000	227,600	—
ARS Purchase Commitments <sup>(3)</sup>	10,523	—	7,362	3,161	—
Total	\$ 525,194	\$ 56,477	\$ 102,448	\$ 277,834	\$ 88,435

- (1) See Note 9 to the condensed consolidated financial statements appearing in Item 1 for additional information.
- (2) Includes interest payable of \$67.8 million through maturity.
- (3) See Note 11 to the condensed consolidated financial statements appearing in Item 1 for additional information.



Table of Contents**Inflation**

Because the assets of the Company's brokerage subsidiaries are highly liquid, and because securities inventories are carried at current market values, the impact of inflation generally is reflected in the financial statements. However, the rate of inflation affects the Company's costs relating to employee compensation, rent, communications and certain other operating costs, and such costs may not be recoverable in the level of commissions or fees charged. To the extent inflation results in rising interest rates and has other adverse effects upon the securities markets, it may adversely affect the Company's financial position and results of operations.

**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, including fluctuating oil prices, (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, the trading of low-priced securities, stepped up enforcement efforts by the SEC, FinCEN, FINRA and other regulators and the results of pending litigation and regulatory proceedings involving the Company, (x) changes in foreign, federal and state tax laws which could affect the popularity of products sold by the Company or impose taxes on securities transactions, (xi) applications and enforcement of the DOL retirement rules and regulations, (xii) the effectiveness of efforts to reduce costs and eliminate overlap, (xiii) war and nuclear confrontation as well as political unrest and regime changes, health epidemics and economic crisis in foreign countries, (xiv) the Company's ability to achieve its business plan, (xv) corporate governance issues, (xvi) the impact of the credit crisis and tight credit markets on business operations, (xvii) the effect of bailout, financial reform and related legislation, including, without limitation, the Wall Street Reform and the Dodd-Frank Act, the Volcker Rule and the rules and regulations thereunder and the new DOL rule (see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Regulatory and Legal Environment"), (xviii) the consolidation of the banking and financial services industry, (xix) the effects of the economy on the Company's ability to find and maintain financing options and liquidity, (xx) credit, operations, legal and regulatory risks, (xxi) risks related to foreign operations, including those in the United Kingdom which may be affected by Britain's June 23, 2016 referendum to exit the EU ("Brexit"), (xxii) risks related to the downgrade of U.S. long-term sovereign debt obligations and the sovereign debt of European nations, (xxiii) risks related to the manipulation of the London Interbank Offered Rate ("LIBOR") and concerns over high speed trading, (xxiv) potential cyber security threats, (xxv) the effect of technological innovation on our industry and business, (xxvi) risks related to changes by S&P Global Ratings ("S&P") or Moody's Investor Service, Inc. ("Moody's") of its rating on the Company and on the Company's long-term debt, and (xxvii) risks related to elections results, Congressional gridlock, government shutdowns and investigations, changes in or uncertainty surrounding regulations and threats of default by the federal government. 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. See Exhibit 99.1 – "Risk Factors" appearing in the Company's Current Report on Form 8-K filed on June 7, 2017.



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Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the nine months ended September 30, 2017, 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, 2016.

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 pursuant to Rule 13a-15(e) of the Exchange Act. 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.

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 Exchange Act 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 changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the nine months ended September 30, 2017 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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## 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 in 2008 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 investigations by multiple regulators of matters involving the same or similar underlying facts, which seek substantial penalties, fines or other monetary relief. The SEC, amongst other regulators, has announced its intention to bring more regulatory cases seeking substantial penalties in the future.

While the ultimate resolution of routine pending litigation, regulatory 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 condensed consolidated financial condition and statement of cash flow. 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, litigations or regulatory proceedings currently filed or to be filed against the Company, could have a material adverse effect on the Company's results of operations and financial condition, including its cash position. The materiality of legal and regulatory 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 and regulatory matters. See "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Exhibit 99.1 of the Company's Current Report on Form 8-K filed on June 7, 2017 as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory and Legal Environment – Other Regulatory Matters" as well as "Factors Affecting 'Forward-Looking Statements'" herein.

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, loss contingencies are not probable and reasonably estimable in the view of management and, accordingly, reserves have not been established for those matters. For legal or regulatory proceedings where there is at least a reasonable possibility that a loss or an additional loss may be incurred, the Company estimates a range of aggregate loss in excess of amounts accrued of \$0 to approximately \$29.0 million. This estimated aggregate range is based upon currently available information for those legal proceedings in which the Company is involved, where an estimate for such losses can be made. For certain cases, the Company does not believe that an estimate can currently be made. The foregoing estimate is based on various factors, including the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the numerous yet-unresolved issues in many of the proceedings and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate.

## 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. 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 differed dramatically from that of the larger broker-dealers who underwrote and provided supporting bids in the auctions, actions Oppenheimer never undertook. Oppenheimer played

no role in any decision by the lead underwriters or broker-dealers to discontinue entering support bids and allowing auctions to fail. See "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Exhibit 99.1 of the Company's Current Report on Form 8-K filed on June 7, 2017 as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory and Legal Environment – Other Regulatory Matters" herein.

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As previously disclosed, Oppenheimer, without admitting or denying liability, entered into a Consent Order (the "Order") with the Massachusetts Securities Division (the "MSD") 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.

As previously disclosed, on February 23, 2010, the New York Attorney General ("NYAG" and together with the MSD, the "Regulators") 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 and closed three offers to purchase Eligible ARS (as defined in the Order) from Customer Accounts (as defined in the Order) during 2010 and 2011 with the final offer closing on April 7, 2011. In addition, pursuant to the terms of the AOD, the Company has made thirteen offers to purchase ARS from Eligible Investors between the periods May 21, 2010 and March 20, 2017. The Company's purchases of ARS from clients have continued and will, subject to the terms and conditions of the AOD, continue on a periodic basis. Accounts were, and will continue to be, aggregated on a "household" basis for purposes of these offers. As of September 30, 2017, the Company had purchased and holds (net of redemptions) approximately \$109.0 million of ARS pursuant to the settlements with the Regulators and legal settlements and awards.

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 75 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.

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 margin loans against marginable collateral with respect to such account holders' holdings of Eligible ARS. As of September 30, 2017, 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 Investor 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; (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.

Both the AOD and the Order provide 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. 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.

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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 and the AOD, each as described in Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and attached thereto as Exhibits 10.24 and 10.22 respectively, as well as the subsequent disclosures related thereto in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 through June 30, 2017 and in the Company's Annual Reports on Form 10-K for the years ended December 31, 2010 through and including 2016, for additional details of the agreements with the MSD and NYAG. The Company is continuing to cooperate with regulators from states other than Massachusetts and New York.

As of September 30, 2017, there were no pending ARS-related cases against Oppenheimer. As of September 30, 2017, eleven ARS matters were concluded in either court or arbitration with Oppenheimer prevailing in four of those matters and the claimants prevailing in seven of those matters. The Company has purchased approximately \$7.6 million in ARS from the prevailing claimants in those seven actions. In addition, the Company has made cash payments of approximately \$12.7 million as a result of legal settlements with clients. It is possible, however, that other individuals or entities that purchased ARS from Oppenheimer may bring additional claims against Oppenheimer in the future for repurchase or rescission.

See "Risk Factors - The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Exhibit 99.1 of the Company's Current Report on Form 8-K filed on June 7, 2017 and "Management's Discussion and Analysis of Financial Condition and Results of Operations - Regulatory and Legal Environment - Other Regulatory Matters" and "Off-Balance Sheet Arrangements" herein.

**Other Pending Matters**

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 \$25.0 million in funds embezzled by the sole portfolio manager for International Management Associates, a hedge fund. The portfolio manager purportedly used the broker-dealer defendants, including Oppenheimer, as conduits for his 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 ("U.S.N.D. GA"). In addition, on June 10, 2011, the Trustee filed a petition for permission to appeal the dismissal to 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. The Trustee then appealed to the U.S.N.D. GA. On March 30, 2012, the U.S.N.D. GA affirmed in part and reversed in part the ruling from the Bankruptcy Court and remanded the matter to the Bankruptcy Court. Discovery has closed and Oppenheimer filed a motion for summary judgment at the end of February 2014. On January 10, 2017, Oppenheimer's motion for summary judgment was granted in full, and judgment was entered in Oppenheimer's favor and the court dismissed the case. On January 24, 2017, the Trustee appealed the summary judgment order to the U.S.N.D. GA. The Trustee has requested oral argument on the appeal on which the court has not yet ruled. Oppenheimer intends to defend itself vigorously in this matter.

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 Antonucci, 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. Following removal to the United States District Court for the Eastern District of Texas, Sherman Division, Providence Holdings, Inc. filed a new action in that court against Oppenheimer, Oppenheimer Trust Company, and two individuals, re-asserting basically the same claims as above. On March 18, 2013, the Texas court approved the parties' stipulation to stay the action pending resolution of all claims among the parties in the action pending in Oklahoma styled State of Oklahoma ex rel. Holland v. Providence Holdings, Inc., described below. On April 15, 2011, in an action styled State of Oklahoma ex rel. Holland v. Providence Holdings, Inc., et al. in the Oklahoma County District Court, Providence Holdings, Inc. and Jerry Lancaster asserted cross-claims against Oppenheimer Holdings Inc., Oppenheimer, Oppenheimer Asset Management Inc., Oppenheimer Investment Management LLC, and Oppenheimer Trust Company Inc. related to the same facts

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at issue in the Texas litigation discussed above. These cross-claims included claims for breach of fiduciary duty, various theories of fraud, violation of Texas commercial statutes, breach of contract, interference with prospective business advantage, and loss of business opportunity and sought undisclosed damages. That case is in fact discovery. Oppenheimer believes it has meritorious defenses to the claims raised and intends to defend against these claims vigorously, including pursuing dismissal of the claims against it.

On March 15, 2013, the Company filed in the Supreme Court of the State of New York, County of New York ("New York Court"), a breach of contract action against Canadian Imperial Bank of Commerce ("CIBC") in connection with the Company's acquisition of CIBC's U.S. capital markets businesses for an amount of damages to be proven at trial. On January 31, 2014, the Company filed an amended complaint. On March 13, 2014, CIBC filed a motion to dismiss portions of the Company's amended complaint. In October 2014, the motion to dismiss was granted in part and denied in part by the New York Court. Discovery in the case is proceeding.

In October 2013, JPMorgan Chase Clearing Corp. ("JPMCC"), a division of JPMorgan Chase, filed a FINRA arbitration claim against Oppenheimer ("JPMCC Arbitration") seeking a declaration from the panel ordering that Oppenheimer indemnify it for all damages and costs, including but not limited to attorneys' fees, for litigation in Germany that had begun in 2011 ("German Litigation"). Multiple investors in Germany sought redress from JPMCC for losses associated with a Swiss investment advisory firm, Salomon Investment AG, later renamed SAL Investment AG ("SAL"), that had solicited their business by phone and pooled their funds in an omnibus account at the German offices of Josephthal Lyon & Ross GmbH ("Josephthal GmbH"), and had invested those funds unsuitably and charged the investors excessive commissions and fees from about 1995 to 1998. Josephthal Lyon & Ross Inc. ("Josephthal") was acquired by what is now Oppenheimer in 2001. Bear Stearns, acquired by JPMorgan Chase in 2008, cleared trades for the aforementioned omnibus account. JPMCC based its indemnification claim on agreements with Josephthal executed in 1991 and 2000. The hearing in the JPMCC Arbitration is scheduled to commence in January 2018. In August 2014, judgments ("Judgments") in favor of seven German plaintiffs grouped in three separate cases were finalized in the German court in Dusseldorf against JPMCC. The German court found that JPMCC was liable to the plaintiffs for damages in amounts totaling (including interest) approximately €1.25 million (approximately U.S. \$1.33 million). These Judgments were affirmed by an intermediate level appellate court, and JPMCC and Oppenheimer, as an intervening party, requested leave to appeal those decisions to Germany's highest appellate court. In addition, eighteen other plaintiffs filed statements of claim against JPMCC in Dusseldorf with claimed aggregate damages (excluding claims for interest and attorneys' fees) of approximately €3.2 million (approximately U.S. \$3.4 million). In an agreement executed by JPMCC on October 7, 2016, JPMCC settled the claims asserted by the plaintiffs in the above referenced matters for €3.9 million (approximately U.S. \$4.14 million). Following the settlement, Oppenheimer continued to pursue its appeal to Germany's highest appellate court. In April 2017, Germany's highest appellate court found that, as a result of JPMCC's settlement with plaintiff, Oppenheimer's request for leave to appeal must be dismissed, stating that Oppenheimer could not continue its appeal once JPMCC settled the matter. Oppenheimer was not a party to the JPMCC settlement and believes it has meritorious defenses to the JPMCC Arbitration and intends to defend itself vigorously.

In June 2012, a claim was filed in the Circuit Court, 11<sup>th</sup> Judicial Circuit in Miami-Dade County Florida, Probate Division (which was subsequently transferred in 2014 to the Civil Division ("Trial Court") where it remains in a matter captioned Estate of Idelle Stern, by and through the court ordered limited ad litem, Rochelle Kevelson, Tikvah Lyons, and Joyce Genauer v. Oppenheimer Trust Company, Oppenheimer & Co. Inc., Oppenheimer Asset Management Inc., Eli Molallen, James P. Carley Jr., and Theron Hunting Worth Defendants. The plaintiffs' pleading has been dismissed multiple times pursuant to defendants' motions to dismiss. Plaintiffs are now on their sixth amended complaint. Plaintiffs allege that defendants failed to properly communicate with certain beneficiaries of the Stern Survivors Trust, Stern Marital Trust, and Stern Credit Shelter Trust (collectively, the "Stern Trusts") established by Idelle Stern prior to her death; that defendants failed to adequately communicate with Ms. Stern, who was the co-trustee of the Stern Trusts, during her lifetime; and that the defendants failed to provide trust accountings to all qualified beneficiaries. There are other causes of action based on alleged Florida Blue Sky violations, elder abuse, breach of trust, constructive fraud and conspiracy. Plaintiffs seek damages of approximately \$8 million, as well as

treble damages under the applicable Florida elder abuse statute. On November 30, 2016, the defendants filed a motion for summary judgment seeking to dismiss all of the plaintiffs' claims. On November 21, 2016, the plaintiffs filed a motion for Leave to Seek Punitive Damages against the defendants. On March 24, 2017, the Trial Court granted the plaintiffs' motion. On April 24, 2017, the defendants appealed the Court's ruling to the District Court of Appeals of Florida-Third District ("Appellate Court"). The appeal is still pending before the Appellate Court. On May 8, 2017, the plaintiffs filed a motion in the Appellate Court to dismiss the defendants' appeal. On May 24, 2017, the Appellate Court denied the plaintiffs' motion. On May 16, 2017, the Trial Court denied each of the plaintiffs and defendants' motion for summary judgment. The original scheduled trial date in January 2017 has been canceled and no new trial date has been scheduled. Defendants believe they have meritorious defenses and intend to defend themselves vigorously.

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In August 2016, claimant Batsmasian filed a FINRA arbitration claim against Oppenheimer seeking damages in the amount of \$6.75 million, plus punitive damages in the amount of \$500,000 and interest, and asserting a variety of claims, including claims for fraud, gross negligence, negligent misrepresentation, breach of contract and failure to supervise, in connection with his alleged purchase of securities in OneScreen, Inc. in 2013 and Adaptive Medias, Inc. in 2014 and 2015 which purchases were not made through claimant's account at Oppenheimer. Although claimant did not purchase these securities in his Oppenheimer account, he alleges that he was induced to purchase these securities as a result of misrepresentations made by one or more former Oppenheimer employees. Oppenheimer has filed an answer denying the claims, as well as a third-party claim against a former Oppenheimer employee. The arbitration hearing was scheduled to commence in October 2017 but has been adjourned with no new hearing date. Oppenheimer believes it has meritorious defenses to the claims and intends to defend itself vigorously.

In January 2017, Oppenheimer received a Notice of Civil Claim in the Supreme Court of British Columbia, Canada by Teck Metals Ltd. against Oppenheimer Holdings Inc. as well as co-defendants Western Forest Products Inc., Xylem Canada Company/Societe Xylem Canada, JRM Financial Services Ltd. and Glencore Corporation Canada. The civil claim seeks damages and/or the cost of environmental clean-up for property purportedly managed during the period 1965-66 by a predecessor company of Oppenheimer Holdings Inc. The underlying claim involves alleged adverse environmental impact at the Sunro Mine, located in British Columbia, which properties are now owned by plaintiff and seeks unspecified damages from defendants. The claim has not been actively prosecuted to date by plaintiff. The other defendants have various alleged historical connections to the property, which plaintiff contends allows plaintiff to assert claims against those defendants, as well as Oppenheimer Holdings Inc. Oppenheimer believes it has meritorious defenses to the claims and intends to defend itself vigorously.

See also "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory and Legal Environment – Other Regulatory Matters" in herein.

## Item 1A. Risk Factors

During the nine months ended September 30, 2017, 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, 2016; provided, however, that the Company updated its Risk Factors in connection with the issuance of the Notes which may be found in Exhibit 99.1 to the Company's Current Report on Form 8-K filed with the SEC on June 7, 2017. There were no material changes to such information during the nine months ended September 30, 2017.

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

(a) During the third quarter of 2017, the Company issued 19,883 shares of Class A Stock pursuant to the Company's share-based compensation programs for no cash consideration.

(b) Not applicable.

(c) In the three months ended September 30, 2017, the Company purchased and canceled 143,010 shares of Class A non-voting common stock for total consideration of \$2.3 million (\$16.12 per share), summarized as follows:

## ISSUER PURCHASES OF EQUITY SECURITIES

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
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July 2017	—	\$ —	—	651,916
August 2017	76,071	16.12	76,071	575,845
September 2017	66,939	16.12	66,939	508,906
Total	143,010	\$ 16.12	143,010	508,906

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Item 6. Exhibits

31.1 Certification of Albert G. Lowenthal

31.2 Certification of Jeffrey J. Alfano

32 Certification of Albert G. Lowenthal and Jeffrey J. Alfano

Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of September 30, 2017 and December 31, 2016, (ii) the Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2017 and 2016, (iii) the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2017 and 2016, (iv) the Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2017 and 2016, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2017 and 2016, and (vi) the notes to the Condensed Consolidated Financial Statements.\*

\* This information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

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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, State of New York, on the 27<sup>th</sup> day of October, 2017.

OPPENHEIMER HOLDINGS INC.

By: /s/ Albert G. Lowenthal

Albert G. Lowenthal, Chairman and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Jeffrey J. Alfano

Jeffrey J. Alfano, Chief Financial Officer  
(Principal Financial and Accounting Officer)