

**FREQUENTLY ASKED QUESTIONS
REGARDING THE AUCTION RATE SECURITIES MARKET OPPENHEIMER
SETTLEMENTS
FEBRUARY, 2010**

Clients of Oppenheimer & Co. Inc. (“Oppenheimer”) held investments in Auction Rate Securities (“ARS”) when that market failed in February, 2008. Since that time many such clients have received some liquidity through redemptions by issuers of ARS. Oppenheimer has worked throughout this period to resolve issues surrounding illiquid ARS. In February, 2010, Oppenheimer entered an Assurance of Discontinuance with the New York Attorney General (“NYAG”), and a settlement with the Massachusetts Securities Division. The results of these settlements (the “Settlement Agreements”) will provide some liquidity to Oppenheimer clients who currently own illiquid ARS. These settlements resolve outstanding regulatory proceedings and investigations and more importantly provide a path for Oppenheimer to assist its clients in resolving the illiquidity of their holdings in ARS.

The following questions and answers are intended to provide information about these issues and ARS in general:

I. THE SETTLEMENTS GENERALLY

1. What was settled?

Oppenheimer and various regulators settled outstanding issues and agreed that Oppenheimer would commence a National Offer to Purchase ARS in an effort to provide partial liquidity to eligible clients. Oppenheimer also agreed to set up “funds for redemption” for residents of Massachusetts and; pursuant to the terms of the NYAG Assurance, Oppenheimer expects to do so for residents of New York. Oppenheimer agreed to various undertakings as more fully described in the Settlement Agreements.

2. What is the timing for the Initial National Offer to Purchase?

The initial National Offer is to Purchase one (1) auction rate security per household for designated eligible investors. The initial offer shall commence on or about May 24, 2010. This initial offer to purchase will remain open for 75 days thereafter. To the extent an eligible investor has not responded to the purchase offer within 45 days, Oppenheimer will send a second notice. Finally, Oppenheimer will purchase the initial ARS no later than five (5) days after the eligible investor’s acceptance of the offer to purchase.

3. Which clients will be eligible to participate in the Initial National Offer to Purchase?

“Eligible” investors will generally be Oppenheimer clients with account equity within their household of \$1 million or less at February 29, 2008.

4. How is a “household” defined?

A “household” is one or more accounts residing at the same address.

5. What date is utilized for determining the \$1 million threshold?

The date for measurement of account size is February 29, 2008 for accounts continuously held in custody at Oppenheimer. For accounts that moved their holdings away from Oppenheimer, it is the valuation of the account on the day prior to its transfer.

6. When will clients receive the initial buyback offers?

It is expected that purchase offer letters will be mailed to eligible clients on or about May 25, 2010.

7. What will clients need to do to sell a share to Oppenheimer?

Eligible clients will need to sign an acceptance of the offer and return it to Oppenheimer or otherwise notify Oppenheimer in writing of their acceptance within 75 days of receipt of the offer.

8. What are clients’ rights if they do not accept the initial offer?

If the client does not accept the initial purchase offer under the deadlines described, that client will not receive \$25,000 in exchange for an ARS unit. However, as Oppenheimer continues its purchase programs, as funds become available, those clients will be eligible to participate, if they qualify under the terms of subsequent offer(s).

9. How are non-natural accounts (e.g., corporations, trusts, charities) treated?

Eligible investors under the Settlement Agreements are: all persons including IRA accounts, testamentary trust and estate accounts, UGMA and UTMA accounts and guardianship accounts; charities, endowments or foundations with internal revenue code 501 (C)(3) status. These accounts must have had equity of less than \$1 million as of February 29th, 2008. Also, any small business or institution (defined as having equity at Oppenheimer of \$10 million or less as of February 13, 2008; all trusts, corporate trusts, corporations, employee pension plans/ERISA and Taft Hartley Act Plans; educational institutions, incorporated not for profit organizations; limited liability companies; limited partnerships; non-public companies; partnerships; personal holding companies; unincorporated associations; and government and quasi-government entities). Small businesses and institutions do not include broker/dealers or banks acting as conduits to their customers or customers that have total assets of greater than \$50 million as of February 13, 2008.

II. REPURCHASE PROCEDURES

10. Does the client or firm select the security to be redeemed?

Oppenheimer expects to send a formal offer in writing to each “eligible” household. Attached to each offer letter will be a list of accounts included within the household and a list of ARS held within each account. The offer will include a request for the household to designate both the account to be redeemed and the household’s preference for the particular ARS unit in that designated account to be redeemed, for \$25,000. To the extent possible, it is Oppenheimer’s intention to follow these instructions.

11. What happens to clients that transferred ARS to Oppenheimer after February 28, 2008?

Clients are only eligible to participate in this offer if they purchased their ARS holding from Oppenheimer prior to February 13, 2008. ARS purchased through other firms are not eligible to participate. Clients should contact the firm where they purchased their ARS holding for relief.

12. How will non US residents be treated?

All clients of Oppenheimer & Co. Inc. will be eligible for the offer regardless of the country of residence if they are otherwise eligible under the terms of the offer.

13. If clients sold their ARS at a discount to par what happens?

Clients who sold their ARS at a discount to par prior to February 23, 2010 may make a claim for the difference after all eligible clients have had their ARS holdings fully redeemed. The settlements do not provide for any relief for consequential damages resulting from sales after February 23, 2010. There is a provision for expedited arbitration of alleged consequential damages, however, please see number 20 below.

14. What will happen to clients whose household equity exceeds \$1 million on February 29, 2008?

Clients whose household equity exceeded \$1 million on February 29, 2008 will not be eligible for the national buyback of ARS commencing in June 2010 but will be eligible if they qualify under the terms of future buybacks from Oppenheimer or redemptions from issuers.

15. If a client maintained a margin account at Oppenheimer, what happens?

Clients who otherwise would be eligible and who maintain a margin balance at Oppenheimer will still be eligible for this redemption offer. The client may choose to use the buyback proceeds to reduce his/her margin balance or receive the proceeds in cash.

16. When will clients receive further buybacks from Oppenheimer?

The only scheduled national buyback will commence in May 2010. The Secretary of State of Massachusetts and the New York Attorney General have specified additional “funds for redemption” which will be further utilized to purchase ARS from residents of New York and Massachusetts. Beyond these specified funds, Oppenheimer has committed to make additional buybacks out of available funds as defined in the settlement with the NYAG.

III. EFFECT ON OPPENHEIMER

17. How will this settlement impact the firm’s ability to continue to successfully operate and grow?

The current offer will not impact Oppenheimer’s ability to operate its business, to meet regulatory requirements or to maintain its standards for service to clients. We fully anticipate continued investment in our business to remain competitive, to provide superior service to our clients and to grow our business.

18. Where will we get the money to purchase the ARS from our client?

We will fund the payment for clients’ ARS from generally available funds. There are no plans for any form of special financing or issuance of debt or equity.

19. What is the impact to the firm’s financial statements from this settlement?

As a result of this anticipated buyback of clients’ ARS, the firm’s Securities Owned on its balance sheet will increase by the fair value of the securities purchased. We would expect a corresponding increase in funds borrowed. There may be a valuation adjustment on the securities purchased for the difference between par value and fair value that would result in a charge to earnings.

20. Has Oppenheimer agreed to a special arbitration process?

Yes. The process is intended to proceed before one arbitrator for actual (and not speculative) consequential damages. This arbitration process becomes available after “providing liquidity to all eligible investors”. Oppenheimer believes that because this process will occur only after it has provided liquidity to all eligible investors, it will take an extended period of time before the requirements of this process take effect.

21. What does “upon providing liquidity to all eligible investors” imply in questions 13 & 20 above?

Oppenheimer is not obligated to offer these remedies until that time when all of its clients have had the opportunity to sell or redeem their ARS at par which they held in February 2008 when the ARS market failed.

IV. New York and Massachusetts Settlements

22. What is the settlement for New York residents?

Residents of New York are eligible for the National Settlement (see Questions 2-9 above). In addition, there are two “funds for redemption” that will be funded by Oppenheimer for the benefit of clients who are NY residents. The NYAG will designate how these funds are to be utilized to redeem ARS. The first “fund” will be set up on August 23, 2010 with approximately \$2 million. The second fund will be set up on February 23, 2011 with approximately \$1.45 million. We will advise interested parties as more information becomes available

23. What is the settlement for Massachusetts residents?

Residents of Massachusetts are eligible for the National Settlement (see Questions 2-9 above). In addition, there are two “funds for redemption” that will be funded by Oppenheimer for the benefit of clients who are Massachusetts residents. Oppenheimer expects the Massachusetts Securities Division will designate how these funds are to be utilized to redeem ARS. The first “fund” will be set up on August 23, 2010 with approximately \$2 million and will be utilized to redeem ARS from Massachusetts residents with equity in their account of \$1 million or less at February 29, 2008 that have not previously been redeemed. The second fund will be set up on February 23, 2011 with approximately \$1.45 million and will be utilized to redeem ARS from Massachusetts residents with equity in their account of approximately \$2 million or less at February 29, 2008 that have not previously been redeemed.

24. Why are Massachusetts and New York residents receiving a better deal?

Massachusetts and Oppenheimer negotiated a settlement of pending regulatory litigation that resulted in the creation of these “funds for redemption”. New York negotiated a provision in their settlement whereby New York residents would be treated equally to any other regulatory settlement including the settlement with Massachusetts.

25. What is the settlement for clients in other states?

Residents of states other than New York and Massachusetts are eligible for the National Offer (see Questions 2-9).

26. Who determines if Oppenheimer has the capacity to make further buybacks from clients?

Oppenheimer, in consultation with the New York Attorney General every six months, will determine what additional funds are available to continue to purchase auction rate securities from clients.

V. MISCELLANEOUS

27. Why were clients treated differently, with clients with smaller account equity receiving a preference over clients with greater account equity?

The terms of the settlements were driven by the desire of state regulators to offer liquidity first to smaller investors, as demonstrated by earlier regulatory settlements with other broker/dealers. That is the reason for the structure of the initial offer to purchase.

28. What happens with redemptions by issuers in the future, i.e., where do clients stand relative to the firm in partial redemptions?

Clients' holdings of ARS will stand first in order for future redemptions. After all clients are redeemed, employees will participate and only after all others have been redeemed will Oppenheimer's holdings be redeemed.

29. What are the tax consequences of the buyback to clients?

The purchase, essentially, is a sale for par value of the ARS and as a result there should be no tax consequence. Clients should verify that position with their tax advisor.

30. What happens to clients that transferred out ARS after February 29, 2008?

Clients who transferred their ARS from Oppenheimer will qualify for subsequent offers as "eligible" investors but will not qualify for the initial offer to purchase that will be made pursuant to the National Offer.

31. What is the toll free number clients should use for information about ARS or the offer?

1 (866) 669-1051 or you can email Oppenheimer at ars@opco.com.

32. Is the case against the individuals dismissed?

All claims against individuals, including Bud Lowenthal, named in various enforcement actions have been fully dismissed with no finding of liability.

VI. BACKGROUND QUESTIONS

33. What are auction rate securities?

Certain issuers, including municipal bond issuers, corporate and investment company issuers, have issued a class of securities that were designed to trade at their issue price in denominations of \$100,000, \$50,000 or \$25,000 by holding a regularly scheduled auction on a 7-day, 28-day or 35-day cycle in which the rate of interest to be paid would be adjusted to “market” in order to keep the security trading at issue price. At these auctions buyers and sellers could meet and if there was an imbalance of supply and demand, dealers appointed by issuers (“Agents”) would, at their option and not as a result of any obligation to, purchase the required amount of the auction rate security so as to balance supply and demand. As a result, purchasers of these securities felt that there was a liquid market in which they could invest short term funds to earn a rate of return somewhat higher than money markets. This market has operated successfully for over 20 years.

34. Why have these auctions failed?

As noted above, historically the lead underwriter/auction manager of the issue has stepped in using their own capital to bid when there were more sellers than buyers. In the auctions that have failed dealers have decided to no longer purchase the imbalance between supply and demand for auction rate securities and have allowed auctions to “fail”.

35. What does it mean to have an auction fail? What happens after it fails?

When an auction “fails,” it means that there was insufficient demand from bidders to meet the interest of all those wishing to sell. This is occurring due to a lack of liquidity (i.e. lack of sufficient buy orders) in the auction rate market. It is possible to have a failed auction in which a portion, but not all of the securities offered for sale, are sold. The consequences of an auction failure are described in large part in the offering documents for that specific security, but, generally an auction failure results in the holders receiving a defined interest rate based on some market index. The rate is often based on a short term index such as LIBOR or commercial paper, but in some cases it may be an arbitrary number.

36. Have all auctions failed?

Almost all auctions for these types of securities have failed.

37. Does a failed auction constitute a “default”?

No, these securities have generally not failed to pay interest or principal when it comes due. They are largely fully collateralized and remain good credits.

38. Is there a secondary market for these auction rate securities?

At present, there is not an efficient secondary market for these securities and there is no guarantee one will develop. We will keep investors apprised when we believe such a market has developed that will offer both liquidity and transparency of pricing to both buyers and sellers.

The foregoing is intended to be a general discussion of current issues in the Auction Rate Securities Market and Oppenheimer's Settlement Agreements. This commentary is provided for informational purposes only, is current only as of the date indicated, and is subject to change without notice.

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