

Oppenheimer & Co. Inc. and Subsidiaries

**Consolidated Statement of Financial Condition
June 30, 2011
(Unaudited)**

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Assets		
Cash and cash equivalents		\$26,938,777
Cash and securities (fair value of \$14,497,277)		
segregated under Federal and other regulations		34,317,369
Securities purchased under agreement to resell		562,481,900
Deposits with clearing organizations (includes securities with a fair value of \$9,093,971)		24,590,903
Receivable from brokers, dealers and clearing organizations		
Deposits paid for securities borrowed	\$244,288,048	
Securities failed to deliver	27,347,635	
Clearing organizations	37,624,398	
Omnibus accounts	16,472,336	
Other	31,745,981	
Total receivable from brokers, dealers and clearing organizations		357,478,398
Receivable from customers		923,402,051
Securities owned, at fair value		1,029,236,269
Office facilities, net		18,973,831
Notes receivable, net		60,030,231
Intangible assets, net		7,116,301
Deferred income tax, net		22,443,913
Goodwill		10,787,854
Other assets		74,312,186
Total assets		<u>\$3,152,109,983</u>

The accompanying notes are an integral part of this consolidated statement of financial condition.

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Liabilities and Stockholder's Equity

Drafts payable		\$38,290,298
Bank call loans		159,000,000
Securities sold under agreement to repurchase		1,168,455,224
Payable to brokers, dealers and clearing organizations		
Deposits received for securities loaned	\$309,914,980	
Securities failed to receive	29,215,780	
Other	56,149,088	
Total payable to brokers, dealers and clearing organizations		395,279,848
Securities sold, but not yet purchased, at fair value		181,473,712
Payable to customers		561,907,543
Income taxes payable		18,161,334
Accrued compensation		115,597,725
Accounts payable and other liabilities		93,189,468
Subordinated borrowings		112,558,118
Excess of fair value of assets acquired over cost		7,020,378
Total liabilities		<u>2,850,933,648</u>
Commitments and contingencies (Note 9)		
Stockholder's equity		
Common stock, par value \$100 per share - 1,000 shares authorized, 760 shares issued and outstanding	76,000	
Additional paid-in capital	261,161,719	
Retained earnings	39,458,125	
Accumulated other comprehensive income	1,838,423	
Less 369 shares of treasury stock, at cost	(1,357,932)	
Total stockholder's equity		<u>301,176,335</u>
Total liabilities and stockholder's equity		<u>\$3,152,109,983</u>

The accompanying notes are an integral part of this consolidated statement of financial condition.

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1. Organization and Nature of Business

Oppenheimer & Co. Inc. (“Oppenheimer” or “the Company”) is a wholly owned subsidiary whose ultimate parent is Oppenheimer Holdings Inc. (the “Parent”), a Delaware public corporation. Oppenheimer is a registered broker-dealer in securities under the Securities Exchange Act of 1934 (“the Act”) and is a member of various exchanges, including the New York Stock Exchange.

The Company engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), underwritings, research, market-making, securities lending activities and investment advisory and asset management services.

The Company provides its services from offices located throughout the United States. In addition, the Company conducts business through local broker-dealers in Israel and Latin America.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated statement of financial condition of the Company includes the accounts of the Company's wholly owned subsidiaries, Freedom Investments, Inc. (“Freedom”), a registered broker-dealer in securities under the Act; Oppenheimer Israel (OPCO) Ltd., which is engaged in offering investment services in the State of Israel as a local broker dealer registered with the Israeli Securities Authority; Pace Securities, Inc. (“Pace”), Old Michigan Corp. (formerly First of Michigan Capital Corporation) and Subsidiaries (inactive) and Reich & Co., Inc. (in liquidation).

All material intercompany transactions and balances have been eliminated in the preparation of the consolidated statement of financial condition. This consolidated statement of financial condition has been prepared in conformity with accounting principles generally accepted in the United States of America. These accounting principles are set out in the notes to the Company’s audited consolidated statement of financial condition for the year ended December 31, 2010.

The preparation of the consolidated statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the interim period presented.

In presenting the consolidated financial statement of financial condition, management makes estimates regarding valuations of financial instruments, loans and allowances for doubtful accounts, the outcome of legal and regulatory matters, the carrying amount of goodwill and intangibles, valuation of stock-based compensation plans, and income taxes. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could be different from these estimates.

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3. New Accounting Pronouncements

Recently Adopted

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

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

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

Recently Issued

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

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

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December 31, 2011. We are currently evaluating the impact, if any, that these updates will have on our financial condition, results of operations and cash flows.

4. Cash and Securities Segregated for Regulatory and Other Purposes

Deposits of \$34.3 million were held at June 30, 2011 in special reserve bank accounts for the exclusive benefit of customers in accordance with regulatory requirements. To the extent permitted, these deposits may be invested in interest bearing accounts collateralized by qualified securities.

5. Financial Instruments

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

Securities Owned and Securities Sold, But Not Yet Purchased at Fair Value

Expressed in thousands of dollars.

	June 30, 2011	
	Owned	Sold
U.S. Government, agency and sovereign obligations	\$771,880	\$119,976
Corporate debt and other obligations	21,899	10,986
Mortgage and other asset-backed securities	3,550	19
Municipal obligations	83,881	536
Convertible bonds	46,783	7,513
Corporate equities	37,098	42,414
Other	64,145	30
Total	<u>\$1,029,236</u>	<u>\$181,474</u>

Securities owned and securities sold, but not yet purchased, consist of trading and investment securities at fair values. Included in securities owned at June 30, 2011 are corporate equities with estimated fair values of approximately \$14.9 million, which are related to deferred compensation liabilities to certain employees included in accrued compensation on the consolidated statement of financial condition.

Valuation Techniques

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

U.S. Treasury Obligations

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

U.S. Agency Obligations

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

Sovereign Obligations

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

Corporate Debt & Other Obligations

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

Mortgage and Other Asset-Backed Securities

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

Municipal Obligations

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

Convertible Bonds

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

Corporate Equities

Exchange-traded equity securities and options are generally valued based on quoted prices from the exchange and categorized as Level 1 in the fair value hierarchy.

Other

In February 2010, Oppenheimer finalized settlements with each of the New York Attorney General’s office (“NYAG”) and the Massachusetts Securities Division (“MSD” and, together with the NYAG, the “Regulators”) concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer’s marketing and sale of auction rate securities (“ARS”). Pursuant to those settlements, as at June 30, 2011, the Company had purchased approximately \$67.3 million in ARS from its clients pursuant to several purchase offers and expects to purchase at least an additional \$6.0 million of ARS from its

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

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

Investments

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

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

Amounts are expressed in thousands of dollars.

Amounts expressed in thousands of dollars.

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge Funds ⁽¹⁾	219	-	Annually	120 Days
Private Equity Funds ⁽²⁾	24	-	N/A	N/A
Total	\$ 244	\$ -		

⁽¹⁾ Includes investments in hedge fund of funds that pursue activist strategies.

⁽²⁾ Includes private equity funds with a focus on real estate investing

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Derivative Contracts

From time to time, the Company transacts in exchange-traded and over-the-counter derivative transactions to manage its interest rate risk. Exchange-traded derivatives, namely U.S. Treasury futures, Federal funds futures, and Eurodollar futures, are valued based on quoted prices from the exchange and are categorized in Level 1 of the fair value hierarchy.

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

Fair Value Measurements

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

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

Amounts expressed in thousands of dollars.

	Fair Value Measurement: Assets			
	As of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 11,730	\$ -	\$ -	\$ 11,730
Cash and securities segregated for regulatory and other purposes	14,500	-	-	14,500
Deposits with clearing organization	9,094	-	-	9,094
Securities owned:				
U.S. Treasury securities	692,108	-	-	692,108
U.S. Agency securities	39,859	39,913	-	79,772
Sovereign obligations	-	-	-	-
Corporate debt and other obligations	-	21,899	-	21,899
Mortgage and other asset-backed securities	-	3,445	105	3,550
Municipal obligations	-	80,052	3,829	83,881
Convertible bonds	-	46,783	-	46,783
Corporate equities	27,680	9,418	-	37,098
Other	1,047	-	63,098	64,145
Securities owned, at fair value	760,694	201,510	67,032	1,029,236
Investments⁽¹⁾	-	36,292	978	37,270
Derivative contracts⁽²⁾	-	3,788	-	3,788
Securities purchased under agreements to resell	-	556,916	-	556,916
Total	\$ 796,018	\$ 798,506	\$ 68,010	\$ 1,662,534

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	Fair Value Measurement: Liabilities			
	As of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Securities sold, not yet purchased:				
U.S. Treasury securities	\$ 119,903	\$ -	\$ -	\$ 119,903
U.S. Agency securities	-	73	-	73
Sovereign obligations	-	-	-	-
Corporate debt and other obligations	-	10,986	-	10,986
Mortgage and other asset-backed securities	-	8	11	19
Municipal obligations	-	536	-	536
Convertible bonds	-	7,513	-	7,513
Corporate equities	22,158	20,256	-	42,414
Other	30	-	-	30
Securities sold, not yet purchased at fair value	142,091	39,372	11	181,474
Investments	17	-	-	17
Derivative contracts⁽³⁾	244	2,652	-	2,896
Securities sold under agreements to repurchase⁽⁴⁾	-	-	-	-
Total	\$ 142,352	\$ 42,024	\$ 11	\$ 184,386

⁽¹⁾ Included in other assets on the condensed consolidated statement of financial condition

⁽²⁾ Included in receivable from brokers and clearing organizations on condensed consolidated statement of financial condition

⁽³⁾ Included in payables to brokers and clearing organizations on condensed consolidated statement of financial condition

⁽⁴⁾ Includes securities sold under agreements to repurchase agreements where the Company has elected fair value option treatment

Fair Value Option

The Company elected the fair value option for those 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 or that are not accounted for as purchase and sale agreements (such as repo-to-maturity transactions). The Company has elected the fair value option for these instruments to more accurately reflect market and economic events in its earnings and to mitigate a potential imbalance in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. At June 30, 2011, the fair value of the reverse repurchase agreements and repurchase agreements were \$556.9 million and \$nil, respectively.

Fair Value of Derivative Instruments

The Company transacts, on a limited basis, in exchange traded and over-the-counter derivatives for both asset and liability management as well as for trading and investment purposes. All derivative instruments are measured at fair value and are recognized as either assets or liabilities on the consolidated statement of financial condition. Risks managed using derivative instruments include interest rate risk and, to a lesser extent, foreign exchange risk.

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Foreign exchange hedges

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

Derivatives used for trading and investment purposes

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

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

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

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

Amounts expressed in thousands of dollars.

Fair Value of Derivative Instruments: Assets			
As of June 30, 2011			
Balance Sheet			
Type	Location	Notional	Fair Value
Derivatives not designated as hedging instruments under SFAS 133			
Eurodollar Futures		\$ 9,000	\$ 0
Other contracts	Receivable from brokers and clearing organizations	361,450	3,788
Total Derivatives		\$ 370,450	\$ 3,788

Amounts expressed in thousands of dollars.

Fair Value of Derivative Instruments: Liabilities			
As of June 30, 2011			
Balance Sheet			
Type	Location	Notional	Fair Value
Derivatives not designated as hedging instruments under SFAS 133			
Commodity contracts	U.S Treasury Futures	\$ 24,000	\$ 244
	Federal Funds Futures	\$ 5,220,000	\$ 245
	Eurodollar Futures	\$ 224,000	\$ 13
Other contracts	Euro FX TBA's	11,072	98
	Payables to brokers and clearing organizations		
	Forward Purchase Commitment ⁽¹⁾	500,000	354
	Receivable from brokers and clearing organizations		
	Auction Rate Securities Purchase Commitment ⁽²⁾	45,843	1,941
	Securities Owned		
Total Derivatives		\$ 6,024,915	\$ 2,895

(1) Forward commitment to repurchase government securities that received sale treatment related to "Repo-to-maturity" transactions

(2) Represents forward purchase commitments to buy back auction rate securities from clients resulting from regulatory and legal settlements

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Collateralized Transactions

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

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

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

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

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

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

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

At June 30, 2011, the gross balances of resale agreements and repurchase agreements were \$7.7 billion and \$8.2 billion, respectively.

The Company receives collateral in connection with securities borrowed and resale agreement transactions and customer margin loans. Under many agreements, the Company is permitted to sell or repledge the securities received (e.g., use the securities to enter into securities lending transactions, or deliver to counterparties to cover short positions). At June 30, 2011, the fair value of securities received

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as collateral under securities borrowed transactions and resale agreements was \$239.8 million and \$7.7 billion, respectively, of which the Company has re-pledged approximately \$15.7 million under securities loaned transactions and \$7.7 billion under repurchase agreements.

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

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 and the right to offset a counterparty's rights and obligations. The Company also monitors the market value of collateral held and the market value of securities receivable from others. It is the Company's policy to request and obtain additional collateral when exposure to loss exists. In the event the counterparty is unable to meet its contractual obligation to return the securities, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices.

Credit Concentrations

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

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

Variable Interest Entities (VIEs)

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

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

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

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

Amounts expressed in thousands of dollars.

As of June 30, 2011					
	Total VIE Assets ⁽¹⁾	Carrying Value of the Company's Variable Interest		Capital Commitments	Maximum Exposure to Loss in Nonconsolidated VIE's
		Assets ⁽²⁾	Liabilities		
Hedge Funds	\$ 58,400	\$ 219			\$ 219
Private Equity Funds	\$ 137,000	\$ 24	\$ -	\$ -	\$ 24
Total	\$ 195,400	\$ 244	\$ -	\$ -	\$ 244

(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 statement of condition

6. Subordinated Borrowings

The subordinated loans are payable to E.A. Viner International Co., a wholly-owned subsidiary of the Parent, and bear interest at 11-1/2% per annum. These loans are due: \$1,620,000, June 25, 2012; \$3,850,000, November 29, 2012; and \$7,088,118, December 31, 2012 and are automatically renewed for an additional year unless terminated by either party within seven months of their expiration.

On January 14, 2008, in conjunction with the acquisition of the capital markets businesses acquired from Canadian Imperial Bank of Commerce, Oppenheimer issued a variable rate subordinated note to E.A.

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Viner International Co. in the amount of \$100,000,000 which is due and payable on January 31, 2014. On May 4, 2011, the rate on the note changed from variable to a fixed rate of 8.75%. Interest is due semi-annually on April 15th and October 15th.

The subordinated loans are available in computing net capital under the Securities and Exchange Commission's uniform net capital rule. These borrowings may be repaid only if, after giving effect to such repayment, Oppenheimer meets the Securities and Exchange Commission's net capital requirements.

7. Regulatory Requirements

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

In accordance with the Securities and Exchange Commission's No Action Letter dated November 3, 1998, Oppenheimer has computed a reserve requirement for the proprietary accounts of introducing firms as of June 30, 2011. Oppenheimer had no deposit requirement as of June 30, 2011.

8. Income Taxes

Oppenheimer is included in an affiliated group which files a consolidated Federal income tax return. State and local income tax returns are filed either on a unitary or stand-alone entity basis depending on the state's requirements. Oppenheimer's income tax provision is computed on a separate company basis.

9. Commitments and Contingencies

The Company has operating leases for office space, equipment and furniture and fixtures expiring at various dates through 2020.

Future minimum rental commitments under such office and equipment leases as at June 30, 2011 are as follows:

Period Ended December 31,	Future Minimum Rentals
2011	20,181,161
2012	41,145,517
2013	29,271,437
2014	24,612,311
2015	19,819,107
2016 and thereafter	49,832,360
	<u>\$184,861,893</u>

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Certain of these leases contain provisions for rent escalation based on increases in costs incurred by the lessor.

10. Related Party Transactions

During the period ended June 30, 2011, Oppenheimer made distributions to the Parent in order to fund the Parent's obligations. Oppenheimer intends to continue to do so in the future.

11. Subsequent Events

On July 15, 2011, the Company's immediate parent company, Viner Finance, Inc. ("Viner") signed a lease to occupy seven floors at 85 Broad Street in New York City for a term of 15 years. The Company will occupy approximately 270,000 rentable square feet in the building. Payments related to this lease will approximate \$186.0 million over the 15 year term.

The Consolidated Statement of Financial Condition has been prepared in accordance with SEC Rule 17a-5. Copies of this document are available, upon request, from Oppenheimer & Co. Inc. and from www.opco.com.