Oppenheimer Holdings Inc.

Second Quarter June 30, 2006

Oppenheimer Holdings Inc.

Index

To the Shareholders;

Oppenheimer Holdings Inc. reported net profit of $9,137,000 or $0.72 per share (basic) for the second quarter of 2006, an increase of approximately 91% in net profit when compared to $4,795,000 or $0.36 per share (basic) in the second quarter of 2005. Revenue for the second quarter of 2006 was $193,024,000, an increase of 16% compared to revenue of $165,929,000 in the second quarter of 2005.

Net profit for the six months ended June 30, 2006 was $26,354,000 or $2.08 per share (basic) compared to $8,560,000 or $0.64 per share (basic) in the first half of 2005, an increase of 208% in net profit. Revenue for the six months ended June 30, 2006 was $394,074,000 compared to $323,175,000 for the same period in 2005, an increase of 22%. The Company's pre-tax results for the six months ended June 30, 2006 include a gain (most of which was generated in the first quarter of 2006) of approximately $11.6 million related to the conversion of its three New York Stock Exchange memberships to NYSE Group common shares in March 2006 and the sale, in May 2006, of approximately two thirds of its investment in NYSE Group.

At June 30, 2006, shareholders' equity was approximately $337 million and book value per share was $26.46 compared to shareholders' equity of approximately $305 million and book value per share of $23.40 at June 30, 2005. Assets under fee-based management increased 20% to $13.1 billion at June 30, 2006 compared to $10.9 billion at June 30, 2005, reflecting organic growth and includes approximately $1 billion which relates to a new transaction-based investment advisory program effective January 1, 2006.

Despite rising interest rates and rising commodities prices, the U.S. economy continues to show strong growth and core inflation remains relatively low. Recently, the equity markets have given up their gains from earlier in the year as a result of geopolitical tensions and higher oil prices. However, for most of the second quarter of 2006, activity levels remained strong driving increased revenue and providing positive comparisons to our results for the same period in 2005. Without including the gain on the NYSE Group common shares, the Company's revenue in the six months ended June 30, 2006 increased by approximately 18% compared to its revenue in the same period of 2005. The increase in revenue in both the three and six months ended June 30, 2006 compared to the same periods in 2005 came from higher fee-based revenue and increases in transactional revenue such as commissions and principal transactions as well as increased interest income. The increase in interest income was due to higher rates, larger customer debit balances and increased stock borrow/loan activity.

The Company's expenses increased by approximately 13% in both the three and six months ended June 30, 2006 compared to the same periods in 2005 primarily due to increased compensation and related costs (which tracks higher commission income and principal transactions revenue) as well as higher interest expense. The increase in interest expense tracks the increase in interest revenue and is the result of higher interest rate levels and increased stock borrow/loan activity in 2006 compared to 2005. Communications and technology costs as well as occupancy and equipment costs were modestly higher in both the three and six months ended June 30, 2006 compared to the same periods in 2005. Other expenses, including the costs of legal and regulatory matters and compliance, was down by approximately 10% for the three months ended June 30, 2006 and up moderately for the six months ended June 30, 2006, compared to the same periods in 2005.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (''SFAS'') 123-R, ''Share-Based Payment''. The Company recorded additional compensation expense in the three and six months ended June 30, 2006 of $712,000 and $1,966,000, respectively, with respect to its equity incentive plan. In prior years, the cost of stock options was presented on a pro forma basis in the notes to the consolidated financial statements. The Company has always recorded compensation expense with respect to its other share-based plans, although the method of computation of the expense may have changed with the adoption of SFAS 123-R.

The weighted average number of Class A non-voting and Class B shares outstanding for the six months ended June 30, 2006 was 12,696,302 compared to 13,279,114 outstanding for the six months ended June 30, 2005, a decrease of 4.4% due to the repurchase of Class A Shares pursuant to a Normal Course Issuer Bid and partially offset by the exercise of employee stock options and the purchase of Class A Shares by the Company's 401(K) Plan. The actual number of Class A and Class B Shares outstanding at June 30, 2006 was 12,733,072.

Issuer Bid

During the three and six months ended June 30, 2006, the Company purchased 4,600 and 110,700 Class A Shares at an average cost of $21.17 and $20.37, respectively, pursuant to a Normal Course Issuer Bid.

The Company announced that it intends to purchase up to 632,000 of its Class A non-voting shares by way of a Normal Course Issuer Bid through the facilities of the Toronto Stock Exchange and the New York Stock Exchange. The 632,000 shares represent approximately 5% of its 12,645,392 issued Class A non-voting shares (as at July 26, 2006). Oppenheimer has purchased 495,600 Class A non-voting shares in total pursuant to its Normal Course Issuer Bid which commenced on July 22, 2005 and ended on July 21, 2006 at an average per share price of U.S. $20.32.

The purchases under the new Normal Course Issuer Bid may commence on August 9, 2006 and will terminate one year thereafter or on such earlier date as the Company may complete its purchases pursuant to a notice of intention filed with the Toronto Stock Exchange or provide notice of termination. Any such purchases will be made by the Company at the prevailing market price at the time of such purchases in accordance with the requirements of the Toronto Stock Exchange and the New York Stock Exchange. All shares purchased will be cancelled.

The Company believes that its Class A non-voting shares from time to time are undervalued at prevailing market prices based on the Company's earnings and prospects. In such circumstances the Company believes that the repurchase of Class A non-voting shares at such market prices is an appropriate use of corporate funds and should benefit shareholders. Further, such purchases will offset, at least in part, issuance by the Company of Class A non-voting shares in connection with its equity incentive plan and other employee benefit plans.

Dividend
On July 27, 2006, the Company announced a quarterly dividend in the amount of U.S. $0.10 per share, payable on August 18, 2006 to holders of Class A non-voting and Class B shares of record on August 4, 2006.

Exchangeable debenture re-financing
On July 31, 2006, the Company announced that it repurchased from Canadian Imperial Bank of Commerce (''CIBC'') $140,822,400 of the outstanding variable rate exchangeable debentures issued by the Company's wholly-owned subsidiary E. A. Viner International Inc. (''Viner'') to CIBC as part of the consideration for the acquisition of CIBC's U.S. Private Client and Asset Management Divisions in 2003. These debentures were exchangeable for approximately 6.1 million Class A non-voting shares of the Company (approximately 31% of the Class A Shares on a fully diluted basis) on January 2, 2013 at the rate of $23.20 per share. The agreement with CIBC provides that the balance of the outstanding debentures ($20 million) are to be repurchased on October 31, 2006 or sooner at the Company's option. The Company has agreed to make a contingent payment to CIBC if, prior to December 31, 2007, the Company enters into an agreement for the sale of the majority of the Company's Class A and Class B Shares. A syndicate led by Morgan Stanley Senior Funding Inc., as agent, has provided senior secured credit facilities in the amount of $125 million at a floating interest rate based on LIBOR (London Interbank Offering Rate), with a seven-year term. The balance has been funded by bank loans and internally available funds.

The Company hopes to establish a plan through which key executive, managerial and sales employees of the Company and its subsidiaries may purchase the remaining $20 million of Debentures, at par. The balance of the refinancing will be funded by the plan (if created), an increase in the senior secured credit note or from internally available funds and an increase in bank call loans.

The Company, through its principal subsidiaries, Oppenheimer & Co. Inc. (a U.S. broker-dealer) and Oppenheimer Asset Management Inc., offers a full range of services from 82 offices in 21 states and 2 foreign jurisdictions. In addition, through its subsidiary, *Freedom Investments, Inc. and the BUYandHOLD division of Freedom, the Company offers online discount brokerage and dollar-based investing services.*

This communication may include certain ''forward-looking statements'' relating to anticipated future performance. For a discussion of the factors that could cause future performance to be different than anticipated, reference is made to the Company's Annual Report on Form 10-K for the year ended December 31, 2005 and to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006.

On behalf of the Board,

E.K. Roberts,
President

Toronto, Canada
August 8, 2006

Oppenheimer Holdings Inc.

Condensed Consolidated Balance Sheets

(unaudited)

	June 30, 2006	December 31, 2005
	Expressed in thousands of U.S. dollars	
ASSETS		
Cash and cash equivalents	$ 27,600	$ 32,013
Cash and securities segregated under federal and other regulations	32,131	23,526
Deposits with clearing organizations	13,735	14,240
Receivable from brokers and clearing organizations	564,320	527,490
Receivable from customers	1,165,012	1,117,214
Securities owned including amounts pledged of $1,683 ($1,042 in 2005), at market value	133,178	146,645
Notes receivable	56,845	59,874
Other	57,327	72,394
Property, plant and equipment, net	16,428	18,787
Intangible assets, net of amortization	34,028	34,395
Goodwill	137,889	137,889
	$2,238,493	$2,184,467
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Drafts payable	$ 45,834	$ 46,012
Bank call loans	115,900	139,700
Payable to brokers and clearing organizations	1,028,262	830,478
Payable to customers	356,506	473,212
Securities sold, but not yet purchased, at market value	8,910	9,786
Accrued compensation	70,772	87,040
Accounts payable and other liabilities	78,651	80,811
Income taxes payable	5,398	6,584
Bank loans	—	14,524
Zero coupon promissory note	18,353	22,822
Exchangeable debentures	160,822	160,822
Deferred income tax, net	12,165	4,553
	1,901,573	1,876,344
Shareholders' equity		
Share capital		
12,633,392 Class A non-voting shares (2005 — 12,496,141 shares)	35,817	32,498
99,680 Class B voting shares	133	133
	35,950	32,631
Contributed capital	10,475	8,810
Retained earnings	290,495	266,682
	336,920	308,123
	$2,238,493	$2,184,467

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

Oppenheimer Holdings Inc.

Condensed Consolidated Statements of Operations (unaudited)

	Three months ended June 30, 2006	Three months ended June 30, 2005	Six months ended June 30, 2006	Six months ended June 30, 2005
	Expressed in thousands of dollars, except per share amounts			
REVENUE:				
Commissions	$ 91,130	$ 75,251	$183,444	$156,300
Principal transactions, net	26,851	25,852	58,256	46,238
Interest	27,545	17,599	53,558	32,143
Investment banking	14,230	14,512	24,630	26,812
Advisory fees	29,603	28,898	54,152	55,749
Other	3,665	3,817	20,034	5,933
	193,024	165,929	394,074	323,175
EXPENSES:				
Compensation and related expenses	115,749	101,355	228,754	205,311
Clearing and exchange fees	3,201	4,348	8,345	8,616
Communications and technology	12,916	12,949	25,844	25,555
Occupancy and equipment costs	12,647	11,683	25,112	23,595
Interest	16,292	8,870	30,619	15,611
Other	16,424	18,181	30,194	29,453
	177,229	157,386	348,868	308,141
Profit before income taxes	15,795	8,543	45,206	15,034
Income tax provision	6,658	3,748	18,852	6,474
NET PROFIT FOR THE PERIOD	$ 9,137	$ 4,795	$ 26,354	$ 8,560
Earnings per share:				
Basic	$ 0.72	$ 0.36	$ 2.08	$ 0.64
Diluted	$ 0.52	$ 0.29	$ 1.45	$ 0.53
Dividends declared per share	$ 0.10	$ 0.09	$ 0.20	$ 0.18

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

Oppenheimer Holdings Inc.

Condensed Consolidated Statements of Cash Flows (unaudited)

	Three Months ended June 30, 2006	Three Months ended June 30, 2005	Six Months ended June 30, 2006	Six Months ended June 30, 2005
	Expressed in thousands of dollars			
Cash flows from operating activities:				
Net profit for the period	$ 9,137	$ 4,795	$ 26,354	$ 8,560
Adjustments to reconcile net profit to net cash provided by (used in) operating activities:				
Non-cash items included in net profit:				
Depreciation and amortization	2,400	2,522	4,834	4,841
Deferred income tax	2,445	2,166	7,612	4,524
Tax benefit from employee stock options exercised	45	—	45	30
Amortization of notes receivable	5,264	6,023	10,561	11,901
Change in allowance for doubtful accounts	(281)	(1,067)	(257)	(1,082)
Stock option expense, net	706	—	1,620	—
Decrease (increase) in operating assets:				
Cash and securities segregated under federal and other regulations	(2,650)	(5,440)	(8,605)	(5,039)
Deposits with clearing organizations	(844)	(2,075)	505	3,566
Receivable from brokers and clearing organizations	(33,709)	(90,958)	(36,830)	(61,673)
Receivable from customers	8,929	(235,481)	(47,798)	(274,782)
Securities owned	19,459	(970)	13,467	1,185
Notes receivable	(2,620)	(2,176)	(7,534)	(2,696)
Other assets	(7,165)	223	15,325	1,626
Increase (decrease) in operating:				
Drafts Payable	(8,900)	(3,986)	(178)	(14,981)
Payable to brokers and clearing organizations	68,906	77,241	197,784	116,585
Payable to customers	41,751	2,994	(116,706)	(12,048)
Securities sold, but not yet purchased	156	1,127	(876)	177
Accrued compensation	10,704	9,693	(16,268)	(12,117)
Accounts payable and other liabilities	14,948	7,825	(2,161)	4,485
Income taxes payable	(1,955)	—	(1,186)	(2,382)
Cash provided by (used in) operating activities	126,726	(227,544)	39,709	(229,320)
Cash flows from investing and other activities:				
Purchase of fixed assets	(957)	(1,221)	(2,107)	(1,739)
Cash used in investing and other activities	(957)	(1,221)	(2,107)	(1,739)

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Condensed Consolidated Statements of Cash Flows (unaudited) — (Continued)

	Three Months ended June 30, 2006	Three Months ended June 30, 2005	Six Months ended June 30, 2006	Six Months ended June 30, 2005
	Expressed in thousands of dollars			
Cash flows from financing activities:				
Cash dividends paid on Class A non-voting and Class B shares	(1,265)	(1,182)	(2,541)	(2,396)
Issuance of Class A non-voting shares	2,211	—	5,574	2,629
Repurchase of Class A non-voting shares for cancellation	(97)	(5,517)	(2,255)	(10,497)
Zero coupon promissory note repayments	(2,084)	(3,252)	(4,469)	(6,883)
Bank loan repayments	—	(2,530)	(14,524)	(5,060)
(Decrease) increase in bank call loans	(122,922)	236,600	(23,800)	260,527
Cash provided by (used in) financing activities	(124,157)	224,119	(42,015)	238,320
Net (decrease) increase in cash and cash equivalents	1,612	(4,646)	(4,413)	7,261
Cash and cash equivalents, beginning of period	25,988	45,297	32,013	33,390
Cash and cash equivalents, end of period	$ 27,600	$ 40,651	$ 27,600	$ 40,651

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

Condensed Consolidated Statements of Changes in Shareholders' Equity (unaudited)

	Three Months ended June 30, 2006	Three Months ended June 30, 2005	Six Months ended June 30, 2006	Six Months ended June 30, 2005
			Expressed in thousands of dollars	
Share capital				
Balance at beginning of period	$ 33,836	$ 47,286	$ 32,631	$ 49,637
Issue of Class A non-voting shares	2,211	—	5,574	2,629
Repurchase of Class A non-voting shares for cancellation	(97)	(5,517)	(2,255)	(10,497)
Balance at end of period	$ 35,950	$ 41,769	$ 35,950	$ 41,769
Contributed capital				
Balance at beginning of period	$ 9,724	$ 8,810	$ 8,810	$ 8,780
Tax benefit from employee stock options exercised	45	—	45	30
Stock option expense	712	—	1,966	—
Deferred tax pool for stock option expense	(6)	—	(346)	—
Balance at end of period	$ 10,475	$ 8,810	$ 10,475	$ 8,810
Retained earnings				
Balance at beginning of period	$282,623	$251,018	$266,682	$248,467
Net profit for the period	9,137	4,795	26,354	8,560
Dividends of $0.10 per share ($0.09 per share in 2005)	(1,265)	(1,182)	(2,541)	(2,396)
Balance at end of period	$290,495	$254,631	$290,495	$254,631
Total shareholders' equity	$336,920	$305,210	$336,920	$305,210

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

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Summary of significant accounting policies

The condensed consolidated financial statements include the accounts of Oppenheimer Holdings Inc. (''OPY'') and its subsidiaries (together, the ''Company''). The principal subsidiaries of OPY are Oppenheimer & Co. Inc. (''Oppenheimer''), a registered broker-dealer in securities, and Oppenheimer Asset Management Inc. (''OAM''), a registered investment advisor under the Investment Advisers Act of 1940. Oppenheimer operates as Fahnestock & Co. Inc. in Latin America. Oppenheimer owns Freedom Investments, Inc. (''Freedom''), a registered broker dealer in securities, which operates its BUYandHOLD division, offering online discount brokerage and dollar-based investing services. The Company engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, securities lending activities, trust services and investment advisory and asset management services.

The Company's condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). These accounting principles are set out in the notes to the Company's consolidated financial statements for the year ended December 31, 2005 included in its Annual Report on Form 10-K for the year ended December 31, 2005. Disclosures reflected in these condensed consolidated financial statements comply in all material respects with those required pursuant to the rules and regulations of the United States Securities and Exchange Commission (''SEC'') with respect to quarterly financial reporting.

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

These condensed consolidated financial statements are presented in U.S. dollars.

2. Recent Accounting Pronouncements

Limited Partnerships — In June 2005, the FASB ratified the consensus reached in Emerging Issues Task Force (''EITF'') Issue No. 04-5, ''Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights'' which requires a general partner(s) (or managing member(s) in the case of limited liability companies) to consolidate its partnerships or to provide limited partners with rights to remove the general partner(s) or to terminate the partnership. The Company serves as a general partner for a number of asset management limited partnerships through OAM and, therefore, was required to adopt the provisions of EITF Issue No. 04-5 immediately for partnerships formed or modified after June 29, 2005. For partnerships formed on or before June 29, 2005 that were not modified, the Company was required to adopt EITF 04-5 on January 1, 2006. The adoption of EITF Issue No. 04-5 did not have a material impact on the Company's consolidated financial statements.

3. Earnings per share

Earnings per share was computed by dividing net profit by the weighted average number of Class A non-voting shares (''Class A Shares'') and Class B voting shares (''Class B Shares'') outstanding. Diluted earnings per share includes the weighted average Class A and Class B Shares outstanding and the effects of exchangeable debentures using the if converted method and Class A Shares granted under share-based compensation arrangements using the treasury stock method.

Earnings per share has been calculated as follows:

	Three Months ended June 30, 2006	2005	Six Months ended June 30, 2006	2005
Basic weighted average number of shares outstanding	12,666,526	13,261,798	12,696,302	13,279,114
Net effect, if converted method (1)	6,932,000	6,932,000	6,932,000	6,932,000
Net effect, treasury method (2)	13,078	—	1,853	1,999
Diluted common shares	19,611,604	20,193,798	19,630,155	20,213,113
Net profit for the period, as reported	$ 9,137,000	$4,795,000	$26,354,000	$ 8,560,000
Effect of dilutive exchangeable debentures	1,068,000	1,061,000	2,125,000	2,110,000
Net profit, available to shareholders and assumed conversions	$10,205,000	$5,856,000	$28,479,000	$10,670,000
Basic earnings per share	$ 0.72	$ 0.36	$ 2.08	$ 0.64
Diluted earnings per share	$ 0.52	$ 0.29	$ 1.45	$ 0.53

(1) As part of the consideration for the 2003 acquisition of the Oppenheimer divisions from CIBC World Markets, the Company issued First and Second Variable Rate Exchangeable Debentures which are exchangeable for approximately 6.9 million Class A Shares of the Company at the rate of $23.20 per share (approximately 35% of the outstanding Class A Shares, if exchanged).

(2) The diluted EPS computations do not include the antidilutive effect of Class A Shares granted under share-based compensation arrangements.

	Three Months ended June 30, 2006	2005	Six Months ended June 30, 2006	2005
Number of anti-dilutive options and restricted shares, end of period	1,297,825	1,746,475	1,450,457	1,736,475

4. Securities owned and securities sold, but not yet purchased (at market value)

	June 30, 2006	December 31, 2005
Securities owned consist of:		
Corporate equities and warrants	$ 42,839,000	$ 35,895,000
Corporate and sovereign obligations	45,412,000	46,482,000
U.S. government and agency and state and municipal government obligations	43,533,000	61,590,000
Money market funds and other	1,394,000	2,678,000
	$133,178,000	$146,645,000

	June 30, 2006	December 31, 2005
Securities sold, but not yet purchased consist of:		
Corporate equities	$ 3,632,000	$ 4,685,000
Corporate obligations	4,366,000	3,722,000
U.S. government and agency and state and municipal government obligations and other	912,000	1,379,000
	$ 8,910,000	$ 9,786,000

Securities owned and securities sold, but not yet purchased, consist of trading and investment securities at market values. Included in securities owned at June 30, 2006 are corporate equities with market values of approximately $13,981,000 ($14,660,000 at December 31, 2005), which are correlated to deferred compensation liabilities to certain employees. Also included in corporate equities in securities owned are investments with estimated fair values of approximately $6.4 million, of which approximately $3.9 million relates to restricted shares of NYSE Group. At June 30, 2006, the Company had pledged securities owned of approximately $1,683,000 ($1,042,000 at December 31, 2005) as collateral to counterparties for stock loan transactions, which can be sold or repledged.

The New York Stock Exchange (''NYSE'')/Archipelago merger (collectively referred to as ''NYSE Group''), which took place in March 2006, had a significant impact on the Company's financial results for the six months ended June 30, 2006. Oppenheimer had been a member of the NYSE since 1880 and was the beneficial owner of three memberships (seats) carried at a cost of $2.2 million. Pursuant to the plan of merger between NYSE and Archipelago, Oppenheimer surrendered its memberships in exchange for approximately $809,000 in cash and 241,901 NYSE Group common shares, par value $0.01 per share, in the aggregate. In lieu of the rights conferred by membership, Oppenheimer purchased the rights to an annual renewable trading license. This license allows Oppenheimer continued physical and electronic access to the NYSE trading facilities. The NYSE Group common shares are subject to a three-year restriction on transfer, which were scheduled to expire in equal one-third installments in March 2007, 2008, and 2009.

On May 4, 2006, the Company sold 156,588 shares of NYSE Group (consisting of 80,635 and 75,953 NYSE Group shares that were originally restricted until March 2007 and March 2008, respectively) at a price of $61.50 per share (before commission) as part of a secondary offering by NYSE Group shareholders. The Company's pre-tax results of operations for the three and six months ended June 30, 2006 reflect a net gain of $0.3 million and $11.6 million, respectively, related to the exchange of seats for cash and NYSE Group common shares. The Company has estimated the fair value of its remaining NYSE Group restricted shares to be approximately $3.9 million.

5. Long term debt

Issued	Maturity Date	Interest Rate	June 30, 2006
Zero Coupon Promissory Note, issued January 2, 2003 (a) ...	—	0%	$ 18,353,000
Less current portion..........			5,578,000
Long term portion of long-term debt........................			$ 12,775,000
First and Second Variable Rate Exchangeable Debentures, issued January 6, 2003 and May 12, 2003, respectively (b)	1/2/2013	4.5%	$160,822,000

(a) The Zero Coupon Promissory Note is repayable as related employee notes receivable, which are assigned to Oppenheimer, become due or are forgiven. Such payments are to be made notwithstanding whether any of the employees' loans default.

(b) The First and Second Variable Rate Exchangeable Debentures are exchangeable for approximately 6.9 million Class A Shares of the Company at the rate of $23.20 per share. The annual interest rate is 3% in 2003, 4% in 2004 — 2006, and 5% in 2007 through maturity. The First and Second Variable Rate Exchangeable Debentures, which mature on January 2, 2013, contain a retraction clause, which may be activated by the holder for a period of 120 days at the end of year seven. Interest is payable semi-annually in June and December. Interest expense on the First and Second Variable Rate Exchangeable Debentures was $1,809,000 and $3,639,000, respectively, for the three and six months ended June 30, 2006 and 2005. Under the interest method, the effective annual interest rate over the life of the First and Second Variable Rate Exchangeable Debentures is 4.5%. See note 13.

6. Share-based compensation

Effective January 1, 2006, the Company adopted SFAS No. 123-R, ''Shares-Based Payment'', which is a revision to SFAS No. 123, ''Accounting for Stock-Based Compensation''. SFAS No. 123-R, which requires that stock options be accounted for at fair value, focuses primarily on transactions in which an entity exchanges its equity instruments for employee services. Under SFAS No. 123-R, share-based compensation awards that require future service (ie. are subject to a vesting schedule) are amortized over the relevant service period. The Company adopted SFAS No. 123-R under the 'modified prospective method'. Under that method, the provisions of SFAS No. 123-R are applied to remaining unvested share-based awards outstanding at December 31, 2005 as well as to share-based awards granted subsequent to adoption. The consolidated financial statements for periods prior to adoption are not restated for the effects of adopting SFAS No. 123-R.

The Company estimates the fair value of share-based awards using the Black-Scholes option-pricing model and applies to it a forfeiture rate based on historical experience. The accuracy of this forfeiture rate will be reviewed at least annually for reasonableness. Key input assumptions used to estimate the fair value of share-based awards include the exercise price of the award, the expected term, the expected volatility of the Company's Class A Shares over the term of the award, the risk-free interest rate over the expected term, and the Company's expected annual dividend yield. The Company believes that the valuation technique and the approach utilized to develop the underlying assumptions are appropriate in calculating fair values of the Company's outstanding unvested share-based awards as of January 1, 2006 together with awards granted during the three and six months ended June 30, 2006. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by persons who receive share-based awards.

The fair value of each award grant was estimated on the grant date using the Black-Scholes option- pricing model with the following assumptions:

	Grant date assumptions					
	2006	2005	2004	2003	2002	2001
Expected term (1)	5 years	5 years	5 years	5 years	5 years	5 years
Expected volatility factor (2)	24.73%	23.50%	21.08%	22.61%	27.49%	28.43%
Risk-free interest rate (3)	4.48%	3.89%	3.01%	2.92%	4.10%	4.78%
Expected annual dividend (4)	$ 0.37	$ 0.36	$ 0.36	$ 0.36	$ 0.36	$ 0.36

(1) The expected term was determined based on actual awards, typically five years.

(2) The volatility factor was measured using the weighted average of historical daily price changes of the Company's Class A Shares over the previous 100 days, using a 400 day annualization factor.

(3) The risk-free interest rate was based on periods equal to the expected term of the awards based on the U.S. Treasury yield curve in effect at the time of grant.

(4) The annual dividend was based on actual dividends.

The Company did not recognize compensation expense for outstanding stock options during the three and six months ended June 30, 2005. The following presents the pro forma income and earnings per share impact, using a fair-value-based calculation, of the Company's stock-based compensation under SFAS No. 123 with respect to stock options granted prior to January 1, 2006. Amounts are expressed in thousands of U.S. dollars except per share amounts.

	Three months ended June 30, 2005	Six months ended June 30, 2005
Stock-based employee compensation expense included in reported net income	—	—
Net profit, as reported	$4,795	$8,560
Stock-based compensation expense that would have been reported in net profit if the fair value provisions of SFAS No. 123-R had been applied to all awards	381	763
Pro forma net profit	$4,414	$7,797
Basic profit per share, as reported	$ 0.36	$ 0.64
Diluted profit per share, as reported	$ 0.29	$ 0.53
Pro forma basic profit per share	$ 0.33	$ 0.59
Pro forma diluted profit per share	$ 0.27	$ 0.49

Equity Incentive Plan

Under the Company's 1996 Equity Incentive Plan, as amended March 10, 2005 (''EIP''), the compensation and stock option committee of the board of directors of the Company may grant options to purchase Class A Shares to officers and key employees of the Company and its subsidiaries. Grants of options are made to the Company's independent directors on a formula basis. Options are generally granted for a five-year term and generally vest at the rate of 25% of the amount granted beginning after two years and become fully vested after 4.5 years. The aggregate number of Class A Shares available under the EIP is 5,015,000.

Stock option activity under the EIP since January 1, 2005 is summarized as follows:

	Three months ended June 30, 2006		Six months ended June 30, 2006		Year ended December 31, 2005	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Options outstanding, beginning of period	1,555,792	$27.56	1,775,641	$27.04	1,659,370	$27.19
Options granted	10,000	$26.50	38,632	$21.70	231,798	$23.38
Options exercised	(82,785)	$26.71	(82,785)	$26.71	(51,357)	$19.48
Options forfeited or expired	(74,385)	$28.07	(322,866)	24.11	(64,170)	$20.93
Options outstanding, end of period	1,408,622	$27.59	1,408,622	$27.59	1,775,641	$27.04
Options vested, end of period	565,279	$27.34	565,279	$27.34	622,107	$24.98
Weighted average fair value of options granted	$ 7.75		$ 5.37		—	

The aggregate intrinsic value of options outstanding as of June 30, 2006 was approximately $2,222,000. The intrinsic value of options vested as at June 30, 2006 was approximately $750,000.

The following table summarizes stock options outstanding and exercisable as at June 30, 2006.

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price of outstanding options	Number exercisable (vested)	Weighted average exercise price of vested options
$19.99 - $25.00	663,096	2.31 years	$23.60	245,332	$23.95
$25.01 - $33.80	745,526	2.09 years	$31.14	319,947	$29.93
$19.99 - $33.80	1,408,622	2.19 years	$27.59	565,279	$27.34

The following table summarizes the status of the Company's nonvested options since December 31, 2005.

	Three months ended June 30, 2006		Six months ended June 30, 2006	
	Number of Options	Weighted average fair value	Number of Options	Weighted average fair value
Nonvested beginning of period	900,093	$6.17	1,153,534	$5.44
Granted	10,000	$7.75	38,632	$5.37
Vested	(38,490)	$5.81	(320,563)	$6.71
Forfeited or expired	(28,260)	$6.68	(28,260)	$6.68
Nonvested end of period	843,343	$6.18	843,343	$6.18

In the three and six months ended June 30, 2006, the Company has included approximately $712,000 and $1,966,000, respectively, of compensation expense in its condensed consolidated statement of operations relating to the expensing of stock options.

As of June 30, 2006, there was $4.5 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the EIP. The cost is expected to be recognized over a weighted average period of 2.19 years.

Stock Appreciation Rights

The Company has awarded Oppenheimer stock appreciation rights (''OARs'') to certain employees as part of their compensation package based on a formula reflecting gross production and length of service. These awards are granted once per year in January with respect to the prior year's production. The OARs vest five years from the end of the related fiscal year and will be settled in cash at vesting. Effective January 1, 2006, with the adoption of SFAS 123-R, OARs are being accounted for as liability awards and are being revalued on a monthly basis. The adjusted liability is being amortized on a straight-line basis over the vesting period.

The fair value of each OARs award was estimated as at June 30, 2006 using the Black-Scholes option-pricing model.

Grant date	Number of OARs	Strike price	Remaining contractual life	Fair value as at June 30, 2006
January 10, 2003	109,630	$24.94	1.5 years	$ 6.97
January 13, 2004	171,850	$32.78	2.5 years	$ 6.04
January 13, 2005	276,320	$24.53	3.5 years	$10.14
January 13, 2006	292,020	$20.53	4.5 years	$12.70
Total	849,820			
Total weighted average values		$24.88	3.38 years	$ 9.78

At June 30, 2006, all outstanding OARs are unvested. The aggregate intrinsic value of OARs outstanding at June 30, 2006 was $2,662,000. In the three and six months ended June 30, 2006, the Company has included approximately $1,747,000 and $891,000, respectively, of compensation expense in its condensed consolidated statement of operations relating to OARs awards.

As of June 30, 2006, there was approximately $5.2 million of total unrecognized compensation cost related to unvested OARs. The cost is expected to be recognized over a weighted average period of 3.38 years.

The adoption of SFAS No. 123-R did not materially impact the accounting treatment for the Company's other share-based compensation arrangements.

7. Share Capital

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

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Class A Shares outstanding, beginning of period..	12,555,207	13,197,941	12,496,141	13,296,876
Issued to the Company's 401(k) Plan	—	—	104,725	64,176
Issued pursuant to the share-based compensation plans	82,785	—	143,226	51,357
Repurchased pursuant to the issuer bid	(4,600)	(254,400)	(110,700)	(468,868)
Class A Shares outstanding, end of period	12,633,392	12,943,541	12,633,392	12,943,541

8. Net Capital Requirements

The Company's major subsidiaries, Oppenheimer and Freedom, are subject to the uniform net capital requirements of the SEC under Rule 15c3-1 (the ''Rule''). Oppenheimer computes its net capital requirements under the alternative method provided for in the Rule which requires that Oppenheimer maintain net capital equal to two percent of aggregate customer-related debit items, as defined in SEC Rule 15c3-3. At June 30, 2006, the net capital of Oppenheimer as calculated under the Rule was $198,902,000 or 14.53% of Oppenheimer's aggregate debit items. This was $171,519,000 in excess of the minimum required net capital. 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 6⅔% of aggregate indebtedness, as defined. At June 30, 2006, Freedom had net capital of $7,873,000, which was $7,623,000 in excess of the $250,000 required to be maintained at that date.

9. Securities lending activities

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced or received.

Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. The Company receives cash or collateral in an amount generally in excess of the market value of securities loaned.

The Company monitors the market value of securities borrowed and loaned on a daily basis and may require counterparties to deposit additional collateral or return collateral pledged, when appropriate.

Included in receivable from brokers and clearing organizations are deposits paid for securities borrowed of $508,231,000 (at December 31, 2005 — $472,499,000). Included in payable to brokers and clearing organizations are deposits received for securities loaned of $998,039,000 (at December 31, 2005 — $794,353,000).

10. Financial instruments with off-balance sheet risk and concentration of credit risk

In the normal course of business, the Company's securities activities involve execution, settlement and financing of various securities transactions. These activities may expose the Company to risk in the event customers, other brokers and dealers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations.

The Company is exposed to off-balance sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill their contractual obligations. It is the Company's policy to periodically review, as necessary, the credit standing of each counterparty with which it conducts business.

Securities sold, but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and thereby create a liability to purchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance sheet risk, as the Company's ultimate obligation to satisfy the sale of securities sold, but not yet purchased may exceed the amount recognized on the balance sheet. Securities positions are monitored on a daily basis.

The Company's customer financing and securities lending activities require the Company to pledge customer securities as collateral for various financing sources such as bank loans and securities lending. At June 30, 2006, the Company had approximately $1.7 billion of customer securities under customer margin loans that are available to be pledged of which the Company has repledged approximately $563,066,000 under securities loan agreements and approximately $185,445,000 with respect to bank call loans. In addition, the Company has received collateral of approximately $494,164,000 under securities borrow agreements of which the Company has repledged approximately $390,220,000 as collateral under securities loan agreements. Included in receivable from brokers and clearing organizations are receivables from two major U.S. broker-dealers totaling $179,676,000. Included in receivable from customers is a receivable from one customer in the amount of $180,839,000, which is collateralized with fixed income securities in the amount of $237,085,000.

The Company 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.

At June 30, 2006, the Company had outstanding commitments to buy and sell of $206,000 and $257,000, respectively, of mortgage-backed securities on a when issued basis. These commitments have off-balance sheet risks similar to those described above.

Futures contracts represent commitments to purchase or sell securities at a future date and at a specified price. Credit risk and market risk exist with respect to these instruments. Credit risk associated with the contracts is limited to amounts recorded in the balance sheet. Notional or contractual amounts are used to express the volume of these transactions, and do not represent the amounts potentially subject to market risk. At June 30, 2006, the Company had open contracts with notional values of approximately $56 million. The fair value of these derivative financial instruments, included in receivables from brokers and clearing organizations at June 30, 2006, was approximately $5 million.

The Company has a clearing arrangement with Pershing LLC to clear certain transactions in foreign securities. The clearing broker has the right to charge the Company for losses that result from a client's failure to fulfill its contractual obligations. The Company has a relationship with R.J. O'Brien & Associates, which maintains an omnibus account on behalf of Oppenheimer and executes commodities transactions on all exchanges. Accordingly, the Company has credit exposures with these clearing brokers. The clearing brokers can rehypothecate 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, 2006, the Company had recorded no liabilities with regard to this right. The Company's policy is to monitor the credit standing of these clearing brokers, all counterparties and all clients with which it conducts business.

11. Related Party Transactions

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

12. Segment Information

The table below presents information about the reported operating income of the Company for the periods noted. The Company's segments are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. The Company's business is conducted primarily in the United States. Asset information by reportable segment is not reported, since the Company does not produce such information for internal use.

In thousands of dollars	Three months ended June 30, 2006	2005	Six months ended June 30, 2006	2005
Revenue:				
Private Client	$148,167	$121,358	$295,786	$245,812
Capital Markets	28,714	29,314	54,972	46,819
Asset Management	14,592	14,316	27,946	28,690
Other*	1,550	941	15,371	1,854
Total	$193,024	$165,929	$394,074	$323,175
Operating Income:				
Private Client	$ 13,797	$ 2,554	$ 27,479	$ 9,908
Capital Markets	2,366	4,909	6,920	5,468
Asset Management	1,316	940	1,855	1,811
Other*	(2,381)	140	8,255	(2,153)
Total	$ 15,098	$ 8,543	$ 44,509	$ 15,034

* Other for the three and six months ended June 30, 2006 includes the net gain of approximately $0.3 million and $11.6 million, respectively, on the NYSE Group shares, described in note 4.

13. Subsequent event

On July 31, 2006, the Company bought back $140,822,400 of its outstanding First and Second Variable Rate Exchangeable Debentures (the ''Debentures'') issued to Canadian Imperial Bank of Commerce (''CIBC'') at par plus accrued interest of $485,055. The Debentures that were redeemed were exchangeable for approximately 6.1 million Class A Shares at the rate of $23.20 per Class A Share. This leaves $20 million of the Debentures outstanding, which are expected to be redeemed on October 31, 2006 or earlier at the Company's option. The Company has agreed to make a contingent payment to CIBC if, prior to December 31, 2007, the Company enters into an agreement for the sale of the majority of the Company's Class A and Class B Shares. The amount of the contingent payment would be based on the price per share realized by the Company's shareholders in any such transaction.

The Company has issued a senior secured credit note in the amount of $125 million at a variable interest rate based on the London Interbank Offering Rate (LIBOR) with a seven-year term. Minimum principal repayments equal 0.25% per quarter and there are required prepayments of principal based on a portion of the Company's excess cash flow, the net cash proceeds of asset sales, tax refunds over certain limits, awards over certain limits in connection with legal actions or 'takings', and debt issuances or other liability financings. The balance of the refinancing was funded by internally available funds and an increase in bank call loans.

The Company hopes to establish a plan through which key executive, managerial and sales employees of the Company and its subsidiaries may purchase the remaining $20 million of Debentures, at par. The balance of the refinancing will be funded by the plan (if created), an increase in the senior secured credit note or from internally available funds and an increase in bank call loans.

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, 2005.

The Company engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, and investment advisory and asset management services. The Company provides its services from 82 offices in 21 states located throughout the United States. The Company conducts business from 2 offices in Latin America through local broker-dealers. Client assets entrusted to the Company as at June 30, 2006 totaled approximately $55.1 billion. The Company provides investment advisory services through Oppenheimer Asset Management Inc. and Fahnestock Asset Management, operating as a division of Oppenheimer. At June 30, 2006, client assets under management by the asset management groups totaled $13.1 billion (of which $1 billion applies to a new transaction-based investment advisory program effective January 2006). The Company provides trust services and products through Oppenheimer Trust Company. The Company provides discount brokerage services through Freedom Investments Inc. and through BUYandHOLD, a division of Freedom. At June 30, 2006, the Company employed approximately 3,012 people, of whom 1,718 were registered representatives.

Critical Accounting Policies

The Company's accounting policies are essential to understanding and interpreting the financial results reported in the condensed consolidated financial statements. The significant accounting policies used in the preparation of the Company's condensed consolidated financial statements are summarized in note 1 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, 2005. 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.

As of January 1, 2006, the Company adopted Statement of Financial Accounting Standards (''SFAS'') 123-R, ''Share-Based Payment'' (related to the Company's outstanding stock options) resulting in approximately $712,000 and $1,966,000, respectively, in additional compensation expense in the three and six months ended June 30, 2006. In prior periods the cost of stock options was presented on a pro forma basis in the notes to the consolidated financial statements.

During the three months ended June 30, 2006, there were no other 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, 2005.

Business Environment

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

The New York Stock Exchange (''NYSE'')/Archipelago merger (collectively referred to as ''NYSE Group''), which took place in March 2006, had a significant impact on the Company's financial results for the six months ended June 30, 2006. Oppenheimer had been a member of the NYSE since 1880 and was the beneficial owner of three memberships (seats) carried at a cost of $2.2 million. Pursuant to the plan of merger between NYSE and Archipelago, Oppenheimer surrendered its memberships in exchange for approximately $809,000 in cash and 241,901 NYSE Group common shares, par value $0.01 per share, in the aggregate. In lieu of the rights conferred by membership, Oppenheimer purchased the rights to an annual renewable trading license. This license allows Oppenheimer continued physical and electronic access to the NYSE trading facilities. The NYSE Group common shares are subject to a three-year restriction on transfer, which were scheduled to expire in equal one-third installments in March 2007, 2008, and 2009.

On May 4, 2006, the Company sold 156,588 shares of NYSE Group (consisting of 80,635 and 75,953 NYSE Group shares that were originally restricted until March 2007 and March 2008, respectively) at a price of $61.50 per share (before commission) as part of a secondary offering by NYSE Group shareholders. The Company's pre-tax results of operations for the three and six months ended June 30, 2006 reflect a net gain of $0.3 million and $11.6 million, respectively, related to the exchange of seats for cash and NYSE Group common shares. The Company has estimated the fair value of its remaining NYSE Group restricted shares to be approximately $3.9 million.

Despite rising interest rates and rising commodities prices, the U.S. economy continues to show strong growth and core inflation remains relatively low. Recently, the equity markets have given up their gains from earlier in the year as a result of geopolitical tensions and higher oil prices. However, for most of the second quarter of 2006, activity levels remained strong driving increased revenue and providing positive comparisons to our results for the same period in 2005. Without including the gain on the NYSE Group common shares, the Company's revenue in the six months ended June 30, 2006 increased by approximately 18% compared to its revenue in the same period of 2005. The increase in revenue in both the three and six months ended June 30, 2006 compared to the same periods in 2005 came from higher fee-based revenue and increases in transactional revenue such as commissions and principal transactions as well as increased interest income. The increase in interest income was due to higher rates, larger customer debit balances and increased stock borrow/loan activity.

Interest rate changes also impact the Company's fixed income businesses as well as its cost of borrowed funds. Interest rates were higher in the three and six months ended June 30, 2006 compared to the same periods in 2005. Investor interest in fixed income securities is driven by attractiveness of published rates, the direction of rates and economic expectations. Volatility in bond prices also impacts opportunities for profits in fixed income proprietary trading. Management constantly monitors its exposure to interest rate fluctuations to mitigate risk of loss in volatile environments.

The Company is focused on growing its private client and asset management businesses through strategic additions of experienced financial advisors in its existing branch system and employment of experienced money management personnel in its asset management business. In addition, the Company is committed to the improvement of its technology capability to support client service and the expansion of its capital markets capabilities.

Regulatory Environment

The brokerage business is subject to regulation by the SEC, the NYSE, the NASD and various state securities regulators. Events in recent years surrounding corporate accounting and other activities leading to investor losses resulted in the enactment of the Sarbanes-Oxley Act and have caused increased regulation of public companies. New regulations and new interpretations and enforcement of existing regulations are creating increased costs of compliance and increased investment in systems and procedures to comply with these more complex and onerous requirements. Increasingly, the various states are imposing their own regulations that make the uniformity of regulation a thing of the past, and make compliance more difficult and more expensive to monitor. This regulatory environment has resulted in increased costs of compliance with rules and regulations, in particular, the impact of the rules and requirements that were created by the passage of the Patriot Act, and the anti-money laundering regulations (AML) that are related thereto. The expectation is that the increased costs of compliance in today's regulatory environment are not temporary.

The NASD (Rule 3013) and the NYSE (Rule 342) have instituted new rules relating to supervisory control processes. On March 31, 2006, the Chief Executive Officers (''CEOs'') of regulated broker-dealers (including the CEO of Oppenheimer) certified that their companies have processes to establish and test 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 will be required to make such certification on an annual basis.

Mutual Fund Inquiry
Since the third quarter of 2003, Oppenheimer has been responding to the SEC, the NY State Attorney General (the ''NYAG''), the NYSE, the NASD and other regulators as part of an industry-wide review of market timing, late trading and other activities involving mutual funds. The Company has answered several document requests and subpoenas and there have been on-the-record interviews of Company personnel. On June 5, 2006, Oppenheimer received an invitation from the NYSE to make a ''Wells Submission'' (a formal response to a request from a regulator that describes why an action should not be brought) with respect to its activities as a broker/dealer and as a clearing firm in connection with allegedly improper market timing (not late trading) of mutual funds by several former employees. Oppenheimer has filed a response with the NYSE. The Company believes that a few of its former financial advisors, working from a single branch office, engaged in activities that are the subject of the SEC's inquiry largely during the period before the Company acquired the U.S. Private Client Division of CIBC World Markets on January 3, 2003.

The former employees and a current employee who had a supervisory role with respect to such financial advisors are being investigated by the SEC and the NYAG and have received ''Wells Notices'' from the SEC. There is no evidence that either the Company or its employees were engaged in ''late trading''. The Company has set aside reserves that it believes should address its financial exposure with respect to these matters. The Company continues to closely monitor its mutual fund activities and the activities of its employees.

Other Regulatory Matters
The Company has been the subject of various regulatory investigations with respect to its operations up to and including 2005. Most of these matters revolve around the period when the Company was transferring the business and client accounts of various acquisitions it has made to a common systems platform between September 2001 and June 2003. During that period of time, the Company absorbed approximately 35 branch offices and 1,000 financial advisors, and transitioned more than 250,000 client accounts from four separate and distinct companies, each of which utilized a different technology platform. The Company's business doubled during this period. As previously reported, certain of the Company's operations were impacted beginning in June 2003 and the Company experienced client

service issues, which were subsequently corrected. The new businesses undertaken by the Company and the effect on the Company's operations for the period described above has resulted in investigations by the SEC, the NYSE, and the NASD. With the exception of the mutual funds timing matter described above, the Company has settled substantially all outstanding matters with the NYSE.

On May 3, 2005, the NASD filed a complaint against Oppenheimer for matters arising prior to 2004 with respect to the timeliness and accuracy of its municipal bond reporting, the adequacy of its email retention, the adequacy of its supervisory systems and procedures, as well as the timeliness of its response to certain NASD requests for information. The Company believes that it has made and continues to make every effort to cooperate with the NASD and all other regulators. The Company worked diligently to provide tens of thousands of documents and all requested information and will continue to work with the NASD toward a resolution of this matter.

On January 9, 2006, the NASD filed an action against Oppenheimer and its Chairman and CEO (the ''2006 Complaint'') for alleged violations with respect to the Company's filing of the NASD mutual fund breakpoint survey in 2003. This action could result in, among other things, monetary penalty, censure, suspension and/or other remedial sanctions. As previously disclosed, Oppenheimer had previously informed the NASD of certain limitations within its system relative to selecting out and generating data in the form requested by the NASD, and the NASD had stated that no extensions to file would be granted to any firm. As a result, just prior to the deadline, Oppenheimer submitted the data it then had available. The NASD informed Oppenheimer within two days that its submission was deficient. The Company and Mr. Lowenthal, the Chairman and CEO, maintain that the assignment of overall responsibility for the response to the 2003 survey was properly delegated by the CEO to individuals who had the requisite experience and background to complete and file the survey with the NASD. The Company and Mr. Lowenthal believe that they have strong defenses for the action brought against them because of these issues and intend to vigorously defend the action. As the NASD itself notes, the issuance of a disciplinary complaint represents the initiation of a formal proceeding by the NASD in which the allegations have not been heard or determined and does not represent a decision as to any of the allegations contained in the complaint.

Prior to the filing of the 2006 Complaint, the Company advised the NASD that it had reviewed the actual breakpoints applied for the period 2001 through 2005, a period longer than required by the NASD of similar member firms, and has returned to customers approximately $600,000 in breakpoint credits and revised and enhanced its procedures for determining applicable breakpoints. All amounts due to customers have been refunded. The Company believes that it has taken all reasonable steps to resolve this industry-wide issue. The Company believes that the breakpoint survey matter was an industry-wide problem and that the Company has appropriately addressed in all respects the breakpoint issue with its clients.

The Company and Mr. Lowenthal are cooperating, have been cooperating and intend to continue to cooperate with all regulators and hope to reach a fair resolution of all outstanding regulatory issues. The Company has and continues to request an expedited adjudication of the matters in dispute.

As noted above, certain regulatory issues between the Company and the NYSE and NASD remain outstanding. 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.

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 believes that internally-generated funds from operations are sufficient to finance its expenditure program.

Results of Operations

Net profit for the three months ended June 30, 2006 was $9,137,000 or $0.72 per share (basic), an increase of approximately 91% in net profit when compared to $4,795,000 or $0.36 per share (basic) in the second quarter of 2005. Revenue for the second quarter of 2006 was $193,024,000, an increase of 16% compared to revenue of $165,929,000 in the second quarter of 2005.

Net profit for the six months ended June 30, 2006 was $26,354,000 or $2.08 per share (basic) compared to $8,560,000 or $0.64 per share (basic) in the first half of 2005, an increase of 208% in net profit. Revenue for the six months ended June 30, 2006 was $394,074,000 compared to $323,175,000 for the same period in 2005, an increase of 22%. The Company's pre-tax results for the six months ended June 30, 2006 include a gain (most of which was generated in the first quarter of 2006) of approximately $11.6 million related to the conversion of its three New York Stock Exchange memberships to NYSE Group common shares in March 2006 and the sale, in May 2006, of approximately two thirds of its investment in NYSE Group.

The following table and discussion summarizes the changes in the major revenue and expense categories for the periods presented (in thousands of dollars):

	Three Months ended June 30, 2006 versus 2005		Six Months ended June 30, 2006 versus 2005	
	Period to Period Change	Percentage Change	Period to Period Change	Percentage Change
Revenue —				
Commissions	+$15,879	+21%	+$27,144	+17%
Principal transactions, net	+999	+4%	+12,018	+26%
Interest	+9,946	+57%	+21,415	+67%
Investment banking	−282	−2%	−2,182	−8%
Advisory fees	+705	+2%	−1,597	−3%
Other	−152	−4%	+14,101	+238%
Total revenue	+27,095	+16%	+70,899	+22%
Expenses —				
Compensation	+14,394	+14%	+23,443	+11%
Clearing and exchanges fees	−1,147	−26%	−271	−3%
Communications and technology	−33	—%	+289	+1%
Occupancy and equipment costs	+964	+8%	+1,517	+6%
Interest	+7,422	+84%	+15,008	+96%
Other	−1,757	−10%	+741	+3%
Total expenses	+19,843	+13%	+40,727	+13%
Profit before taxes	+7,252	+85%	+30,172	+201%
Income taxes	+2,910	+78%	+12,378	+191%
Net profit	+$ 4,342	+91%	+$17,794	+208%

Revenue, other than interest

Commission income and, to a large extent, income from principal transactions depend on investor participation in the markets. In the three and six months ended June 30, 2006, commission revenue increased by 21% and 17%, respectively, compared to the same periods of 2005 primarily as a result of increased investor activity in the equity markets. Net revenue from principal transactions increased by 4% and 26%, respectively, in the three and six months ended June 30, 2006 compared to the comparable periods of 2005 due primarily to stronger market conditions. Investment banking revenues decreased 2% and 8%, respectively, in the three and six months ended June 30, 2006 compared with the same periods of 2005 due to the drop in new and secondary issues as well as the drop in issuance of closed end investment funds in 2006 compared to 2005. The decrease in market activity levels for investment banking is related to the higher interest rate environment in 2006 compared to 2005. Advisory fees increased by 2% for the three months ended June 30, 2006 and decreased by 3% for the six months ended June 30, 2006 compared to the same periods of 2005. The level of advisory fees earned in the six months ended June 30, 2006 reflects the loss of the advisory contracts for the Asia Tigers and India Funds in December 2005. Assets under management by the asset management group were $13.1 billion at June 30, 2006 (of which $1 billion applies to a new transaction-based investment advisory program effective January 2006) compared to $10.9 billion at June 30, 2005, reflecting that clients are increasingly interested in fee-based services. Other revenue in the six months ended June 30, 2006 includes a gain on the exchange of the Company's NYSE seats for cash and NYSE Group common shares of $11.6 million, as described above.

Interest

Net interest revenue (interest revenue less interest expense) increased by 29% and 39%, respectively, in the three and six months ended June 30, 2006 compared to the same periods of 2005. Interest revenue, which primarily relates to revenue from customer margin balances and securities lending activities, increased by 57% and 67%, respectively, in the three and six months ended June 30, 2006 compared to the same periods in 2005 primarily as a result of higher interest rates in 2006 and higher customer debit balances.

Expenses, other than interest

Compensation expense increased by 14% and 11%, respectively, in the three and six months ended June 30, 2006 compared to the comparable periods of 2005. Compensation expense has volume-related components and, therefore, increased with the increased levels of commission and principal transactions business conducted in the three and six months ended June 30, 2006 compared to the comparable periods of 2005. The amortization of forgivable loans to brokers is included in compensation expense. This expense is relatively fixed and is not influenced by increases or decreases in revenue levels, but rather by the net number of financial advisors hired in one period compared to another. As of January 1, 2006, the Company adopted SFAS 123-R, ''Shares-Based Payment'', resulting in approximately $712,000 and $1,966,000, respectively, in compensation expense in the three and six months ended June 30, 2006 relating to the expensing of stock options. In prior periods, the Company provided pro forma disclosure of the impact of employee stock options in the notes to its consolidated financial statements. The cost of clearing and exchange fees decreased by 26% and 3%, respectively, in the three and six months ended June 30, 2006 compared to the comparable periods of 2005. The cost of communications and technology was flat in the three and six months ended June 30, 2006 compared to the comparable periods of 2005. Occupancy and equipment costs increased by 8% and 6%, respectively, in the three and six months ended June 30, 2006 compared to the same periods of 2005. Higher equipment rental costs were partially offset by savings in lease rental expense due to the expansion and relocation of several branch offices. Other expenses decreased by 10% in the three months ended June 30, 2006 and increased by 3% in the six months ended June 30, 2006 compared to the comparable periods in 2005. In the three months ended June 30, 2006, bad debt expense decreased by approximately $304,000 and legal and regulatory fee expense decreased by approximately $3,279,000, partially offset by increases in registration fees and solicitor fee expense (third party fees related to certain of the Company's assets under management). In the six months ended June 30, 2006, bad debt expense decreased by approximately $280,000 and legal and regulatory fee expense decreased by approximately $1,557,000, offset by increases in regulatory fees, registration and licensing, training costs and solicitor fee expense. Other expenses may continue to be impacted by litigation and regulatory settlement costs. The Company may face additional legal costs and settlement expenses in future quarters. The Company has used its best estimate to provide adequate reserves to cover potential litigation and regulatory expenses. It is anticipated that the costs of compliance with regulatory authorities, as well as Sarbanes-Oxley Act compliance, will continue to be expensive.

Liquidity and Capital Resources

Total assets at June 30, 2006 increased approximately 2.4% from December 31, 2005 levels due to larger customer debit balances and an increase in receivable from brokers and clearing organizations. The Company satisfies its need for funds from its own cash resources, internally generated funds, collateralized and uncollateralized borrowings, consisting primarily of bank loans, and uncommitted lines of credit. The amount of Oppenheimer's bank borrowings fluctuates in response to changes in the level of the Company's securities inventories and customer margin debt, changes in stock loan balances and changes in notes receivable from employees. Oppenheimer has arrangements with banks for borrowings on an unsecured and on a fully collateralized basis. At June 30, 2006, $115,900,000 of such borrowings were outstanding compared to outstanding borrowings of $139,700,000 at December 31, 2005. At June 30, 2006, the Company had available collateralized and uncollateralized letters of credit of $170,500,000.

In connection with the acquisition of the Oppenheimer divisions from CIBC World Markets in January 2003, the Company issued debentures in the amount of approximately $161 million and a zero coupon promissory note in the amount of approximately $66 million. The notes to the consolidated financial statements contain a description of these instruments. As disclosed in Note 13, $140,822,400 of the debentures were redeemed on July 31, 2006 through a senior secured credit facility provided by a syndicate led by Morgan Stanley Senior Funding Inc., as agent, in the amount of $125,000,000 plus internally available funds and bank call loans. The senior secured credit facility has a term of seven years with minimum principal repayments of 0.25% per quarter and required prepayments based on a portion of the Company's excess cash flow, the net cash proceeds of asset sales, tax refunds over certain limits, awards over certain limits in connection with legal actions or 'takings', and debt issuances or other liability financings , and pays interest at a variable rate based on LIBOR (London Interbank Offering Rate). Interest due on the remaining debentures ($20,000,000) is payable semi-annually and is generally being financed from internally generated funds and bank call loans. The Company expects to redeem the remaining debentures by October 31, 2006 with funding provided either by the establishment of a plan through which key executive, managerial and sales employees of the Company and its subsidiaries may purchase the remaining $20 million of Debentures, at par or an increase in the senior secured credit facility or from internally available funds and an increase in bank call loans. The principal payments on the zero coupon promissory note are also being financed from internally generated funds. The Company believes that the necessary internally generated funds will be available to service these obligations from funds generated by normal operations, including funds generated by the acquired businesses.

In connection with the acquisition of the Oppenheimer divisions from CIBC World Markets in January 2003, the Company arranged a credit facility in the amount of $50 million with CIBC. In January 2003, the Company borrowed $25 million under this facility and borrowed the balance in July 2003. The borrowings were used to finance broker retention notes and were repayable, together with interest, at the CIBC U.S. base rate plus 2% over five years or earlier if any broker notes become due earlier. The Company fully retired this credit facility in January 2006 out of internally generated funds and an increase in bank call loans.

Funding Risk

	Three months ended June 30,		Six months ended June 30,	
	2006	2005	2006	2005
Cash provided by (used in) operations	$ 126,726	$(227,544)	$ 39,709	$(229,320)
Cash used in investing activities	(957)	(1,221)	(2,107)	(1,739)
Cash provided by (used in) financing activities	(124,157)	224,119	(42,015)	238,320
Net increase (decrease) in cash and cash equivalents	$ 1,612	$ (4,646)	$ (4,413)	$ 7,261

The Company made significant reductions in its long-term debt load, offset by earnings and increased stock borrow/stock loan balances. With stronger market conditions in the three and six months ended June 30, 2006 compared to the same periods of 2005, the Company's cash available was impacted by funding higher net customer debits, as customers increased borrowings and reduced credit balances.

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

Other Matters

During the second quarter of 2006, the Company purchased 4,600 Class A Shares pursuant to a Normal Course Issuer Bid at an average cost per share of $21.17.

The following table describes the purchases in the second quarter of 2006 of Class A Shares made by the Company pursuant to Normal Course Issuer Bids in effect from July 22, 2005 through July 21, 2006 for a maximum of 644,000 shares.

Period	Total Number of Class A Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 2006	4,600	$21.17	4,600	148,400
May 2006	—	—	4,600	148,400
June 2006	—	—	4,600	148,400

During the second quarter of 2006, the Company issued 82,785 Class A Shares for a total consideration of $2,211,000 related to employee exercises of options under the Company's equity incentive plan.

On May 19, 2006, the Company paid cash dividends of U.S. $0.10 per Class A and Class B Share totaling $1,265,000 from available cash on hand.

On July 26, 2006, the Board of Directors declared a regular quarterly cash dividend of U.S. $0.10 per Class A and Class B Share payable on August 18, 2006 to shareholders of record on August 4, 2006.

The book value of the Company's Class A and Class B Shares was $26.46 at June 30, 2006 compared to $23.40 at June 30, 2005, an increase of approximately 13%, based on total outstanding shares of 12,733,072 and 13,043,221, respectively.

Off-Balance Sheet Arrangements

Information concerning the Company's off-balance sheet arrangements is included in note 10 of the notes to the condensed consolidated financial statements. Such information is hereby incorporated by reference.

Contractual and Contingent Obligations

The Company has contractual obligations to make future payments in connection with non-cancelable lease obligations, certain retirement plans and debt assumed upon the 2003 acquisition of the Oppenheimer divisions from CIBC World Markets.

The following table sets forth these contractual and contingent commitments as at June 30, 2006:

Contractual Obligations (In millions of dollars)

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Minimum rentals	$149	$13	$50	$39	$ 47
Debentures (1)	161	—	—	—	161
Zero coupon promissory notes	18	4	5	3	6
Total	$328	$17	$55	$42	$214

(1) See Note 13 to the condensed consolidated financial statements. Such information is hereby incorporated by reference.

Newly Issued Accounting Standards

Limited Partnerships — In June 2005, the FASB ratified the consensus reached in Emerging Issues Task Force (''EITF'') Issue No. 04-5, ''Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights'' which requires a general partner(s) (or managing member(s) in the case of limited liability companies) to consolidate its partnerships or to provide limited partners with rights to remove the general partner(s) or to terminate the partnership. The Company serves as a general partner for a number of asset management limited partnerships through OAM and, therefore, was required to adopt the provisions of EITF Issue No. 04-5 immediately for partnerships formed or modified after June 29, 2005. For partnerships formed on or before June 29, 2005 that were not modified, the Company was required to adopt EITF 04-5 on January 1, 2006. The adoption of EITF Issue No. 04-5 did not have a material impact on the Company's consolidated financial statements.

Factors Affecting ''Forward-Looking Statements''

This report contains ''forward-looking statements'' within the meaning of Section 27A of the Securities Act of 1933, as amended (the ''Act''), and Section 21E of the Securities Exchange Act of 1934, as amended (the ''Exchange Act''). These forward-looking statements relate to anticipated financial performance, future revenues or earnings, the results of litigation, business prospects and anticipated market performance of the Company. 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 manner of doing business, (v) fluctuations in currency rates, (vi) general economic conditions, both domestic and international, (vii) changes in the rate of inflation and the related impact on the securities markets, (viii) competition from existing financial institutions and other new participants in the securities markets, (ix) legal or economic developments affecting the litigation experience of the securities industry or the Company, (x) changes in federal and state tax laws which could affect the popularity of products and services sold by the Company, (xi) the effectiveness of efforts to reduce costs and eliminate overlap, (xii) war and nuclear confrontation, (xiii) the Company's ability to achieve its business plan and (xiv) corporate governance issues. See ''Risk Factors'' in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. 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.

Quantitative and Qualitative Disclosures About Market Risk

During the three months ended June 30, 2006, 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, 2005.

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.

Changes in Internal Control over Financial Reporting

No changes in the Company's internal controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting, occurred during the quarter ended June 30, 2006.

Risk Factors

During the three months and six months ended June 30, 2006, 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, 2005.

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WEBSITE
The Company's public financial filings, press releases, statement of corporate governance practices, code of ethics, whistleblower policy and committee charters are posted on its website — www.opco.com under Investor Relations.

STOCK LISTING
The Class A non-voting shares of Oppenheimer Holdings Inc. are listed on the New York and Toronto Stock Exchanges under the symbol OPY.

FORM 10-Q
A copy of the Company's Quarterly Report filed on Form 10-Q with the SEC is available upon request from either of the offices listed above or by email to investorrelations@opy.ca. The link to the SEC's EDGAR website is available from the Company's website — www.opco.com under Investor Relations.

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