OPPENHEIMER HOLDINGS INC
Form 10-Q
July 27, 2018
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-12043

OPPENHEIMER HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware	98-0080034
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

85 Broad Street
New York, NY 10004
(Address of principal executive offices) (Zip Code)

(212) 668-8000
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer	o		Accelerated filer	x
Non-accelerated filer	o	(Do not check if a smaller reporting company)	Smaller reporting company	o
Emerging growth company	o			

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

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

The number of shares of the Company's Class A non-voting common stock and Class B voting common stock (being the only classes of common stock of the Company) outstanding on July 27, 2018 was 13,160,353 and 99,665 shares, respectively.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(Expressed in thousands, except number of shares and per share amounts)	June 30, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$38,961	$48,154
Deposits with clearing organizations	56,864	42,222
Receivable from brokers, dealers and clearing organizations	204,527	187,115
Receivable from customers, net of allowance for credit losses of $848 ($769 in 2017)	835,708	848,226
Income tax receivable	2,818	2,939
Securities purchased under agreements to resell, at fair value	6,738	658
Securities owned, including amounts pledged of $692,286 ($655,683 in 2017), at fair value	1,020,404	926,597
Notes receivable, net of accumulated amortization and allowance for uncollectibles of $24,788 and $8,051, respectively ($24,705 and $7,975, respectively, in 2017)	42,410	40,520
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $85,815 ($82,826 in 2017)	27,994	27,187
Intangible assets	32,100	31,700
Goodwill	137,889	137,889
Other assets	114,867	145,310
Total assets	$2,521,280	$2,438,517
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Drafts payable	$21,632	$42,412
Bank call loans	107,500	118,300
Payable to brokers, dealers and clearing organizations	282,542	211,483
Payable to customers	373,664	385,907
Securities sold under agreements to repurchase	599,151	586,478
Securities sold but not yet purchased, at fair value	162,042	94,486
Accrued compensation	128,985	173,116
Accounts payable and other liabilities	94,353	92,495
Senior secured notes, net of debt issuance costs of $1,034 ($1,163 in 2017)	198,966	198,837
Deferred tax liabilities, net of deferred tax assets of $44,906 ($47,597 in 2017)	13,804	11,092
Total liabilities	1,982,639	1,914,606
Commitments and contingencies (note 12)		
Stockholders' equity		
Share capital		
Class A non-voting common stock, par value $0.001 per share, 50,000,000 shares authorized, 13,156,353 and 13,139,203 shares issued and outstanding as of June 30, 2018 and December 31, 2017, respectively	58,692	58,359
Class B voting common stock, par value $0.001 per share, 99,665 shares authorized, issued and outstanding as of June 30, 2018 and December 31, 2017	133	133
	58,825	58,492
Contributed capital	39,287	36,546
Retained earnings	439,577	426,930
Accumulated other comprehensive income	603	1,582

Total Oppenheimer Holdings Inc. stockholders' equity	538,292	523,550
Non-controlling interest	349	361
Total stockholders' equity	538,641	523,911
Total liabilities and stockholders' equity	$2,521,280	$2,438,517

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Expressed in thousands, except number of shares and per share amounts)	2018	2017	2018	2017
REVENUE				
Commissions	$82,850	$ 83,852	$166,257	$170,569
Advisory fees	77,270	72,783	154,818	142,192
Investment banking	27,904	15,386	56,114	33,407
Bank deposit sweep income	28,853	17,720	54,150	31,846
Interest	13,056	12,829	25,283	23,394
Principal transactions, net	6,400	5,302	9,126	10,675
Other	6,223	8,012	11,338	17,062
Total revenue	242,556	215,884	477,086	429,145
EXPENSES				
Compensation and related expenses	151,871	142,657	304,975	286,535
Communications and technology	17,997	18,399	36,685	36,105
Occupancy and equipment costs	14,901	15,161	30,329	30,433
Clearing and exchange fees	5,780	5,916	11,876	11,770
Interest	10,909	6,854	19,872	12,210
Other	28,597	28,534	51,223	60,754
Total expenses	230,055	217,521	454,960	437,807
Income (Loss) before income taxes from continuing operations	12,501	(1,637)	22,126	(8,662)
Income taxes	3,662	(274)	6,578	(1,961)
Net income (loss) from continuing operations	8,839	(1,363)	15,548	(6,701)
Discontinued operations				
Income from discontinued operations	—	89	—	1,065
Income taxes	—	36	—	425
Net income from discontinued operations	—	53	—	640
Net income (loss)	8,839	(1,310)	15,548	(6,061)
Less net income (loss) attributable to non-controlling interest, net of tax	(16)	9	(12)	105
Net income (loss) attributable to Oppenheimer Holdings Inc.	$8,855	$ (1,319)	$15,560	$(6,166)
Basic net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	$0.67	$ (0.10)	$1.17	$(0.50)
Discontinued operations	—	—	—	0.04
Net income (loss) per share	$0.67	$ (0.10)	$1.17	$(0.46)
Diluted net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	$0.63	$ (0.10)	$1.11	$(0.50)
Discontinued operations	—	—	—	0.04
Net income (loss) per share	$0.63	$ (0.10)	$1.11	$(0.46)
Weighted average shares				

Basic	13,248,812	13,260,855	13,244,245	13,329,670
Diluted	14,050,573	13,260,855	14,005,556	13,329,670

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Expressed in thousands)	2018	2017	2018	2017
Net income (loss)	$8,839	$(1,310)	$15,548	$(6,061)
Other comprehensive income (loss), net of tax [1]				
Currency translation adjustment	(837)	780	(979)	2,204
Comprehensive income (loss)	8,002	(530)	14,569	(3,857)
Net income (loss) attributable to non-controlling interest, net of tax	(16)	9	(12)	105
Comprehensive income (loss) attributable to Oppenheimer Holdings Inc.	$8,018	$(539)	$14,581	$(3,962)

(1) No other comprehensive income (loss) is attributable to non-controlling interests.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)
FOR THE SIX MONTHS ENDED JUNE 30,

(Expressed in thousands)	2018	2017
Share capital		
Balance at beginning of period	$58,492	$59,361
Issuance of Class A non-voting common stock	333	3,857
Repurchase of Class A non-voting common stock for cancellation	—	(5,159)
Balance at end of period	58,825	58,059
Contributed capital		
Balance at beginning of period	36,546	41,765
Share-based expense	3,096	2,644
Vested employee share plan awards	(355)	(6,060)
Cumulative-effect adjustment from adoption of new accounting update of employee share-based accounting	—	425
Balance at end of period	39,287	38,774
Retained earnings		
Balance at beginning of period	426,930	410,258
Net income (loss) attributable to Oppenheimer Holdings Inc.	15,560	(6,166)
Dividends paid ($0.22 per share)	(2,913)	(2,940)
Dividends received from non-controlling interest	—	6
Cumulative-effect adjustment from adoption of new accounting update of employee share-based accounting	—	(314)
Balance at end of period	439,577	400,844
Accumulated other comprehensive income (loss)		
Balance at beginning of period	1,582	(681)
Currency translation adjustment	(979)	2,204
Balance at end of period	603	1,523
Total Oppenheimer Holdings Inc. stockholders' equity	538,292	499,200
Non-controlling interest		
Balance at beginning of period	361	2,631
Net income (loss) attributable to non-controlling interest, net of tax	(12)	105
Dividends paid to non-controlling interest	—	(816)
Dividends paid to parent	—	(6)
Balance at end of period	349	1,914
Total stockholders' equity	$538,641	$501,114

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

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
FOR THE SIX MONTHS ENDED JUNE 30,

(Expressed in thousands)	2018	2017
Cash flows from operating activities		
Net income (loss)	$15,548	$(6,061)
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Non-cash items included in net income (loss):		
Depreciation and amortization of furniture, equipment and leasehold improvements	3,140	2,783
Deferred income taxes	2,712	1,325
Amortization of notes receivable	6,378	5,756
Amortization of debt issuance costs	129	223
Write-off of debt issuance costs	—	430
Provision for (reversal of) credit losses	79	(4)
Share-based compensation	5,216	1,715
Decrease (increase) in operating assets:		
Deposits with clearing organizations	(14,642)	(2,500)
Receivable from brokers, dealers and clearing organizations	(17,412)	(9,772)
Receivable from customers	12,439	(26,425)
Income tax receivable	121	(4,289)
Securities purchased under agreements to resell	(6,080)	19,154
Securities owned	(93,807)	(279,324)
Notes receivable	(8,268)	(11,897)
Other assets	29,464	(9,317)
Increase (decrease) in operating liabilities:		
Drafts payable	(20,780)	(9,461)
Payable to brokers, dealers and clearing organizations	71,059	18,189
Payable to customers	(12,243)	48,616
Securities sold under agreements to repurchase	12,673	79,725
Securities sold but not yet purchased	67,556	149,728
Accrued compensation	(46,251)	(30,925)
Accounts payable and other liabilities	4,280	(8,054)
Cash provided by (used in) operating activities	11,311	(70,385)
Cash flows from investing activities		
Purchase of furniture, equipment and leasehold improvements	(3,947)	(2,075)
Purchase of intangible assets	(400)	—
Proceeds from the settlement of Company-owned life insurance	—	1,194
Cash used in investing activities	(4,347)	(881)
Cash flows from financing activities		
Cash dividends paid on Class A non-voting and Class B voting common stock	(2,913)	(2,940)
Cash dividends paid to non-controlling interest	—	(816)
Repurchase of Class A non-voting common stock for cancellation	—	(5,159)
Payments for employee taxes withheld related to vested share-based awards	(2,444)	(2,203)
Issuance of senior secured notes	—	200,000
Redemption of senior secured notes	—	(150,000)
Debt issuance costs	—	(547)
(Decrease) Increase in bank call loans, net	(10,800)	84,600
Cash (used in) provided by financing activities	(16,157)	122,935
Net (decrease) increase in cash and cash equivalents	(9,193)	51,669

Cash and cash equivalents, beginning of period	48,154	64,913
Cash and cash equivalents, end of period	$38,961	$116,582
Schedule of non-cash financing activities		
Employee share plan issuance	$333	$3,857
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$26,899	$14,607
Cash paid during the period for income taxes, net	$3,918	$551

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

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Organization and basis of presentation

Organization

Oppenheimer Holdings Inc. ("OPY" or the "Parent") is incorporated under the laws of the State of Delaware. The condensed consolidated financial statements include the accounts of OPY and its consolidated subsidiaries (together, the "Company"). The Company engages in a broad range of activities in the financial services industry, including retail securities brokerage, institutional sales and trading, market-making, research, investment banking (both corporate and public finance), investment advisory and asset management services and trust services.

The Company has 91 retail branch offices in the United States and has institutional businesses located in London, Tel Aviv, and Hong Kong. The principal subsidiaries of OPY are Oppenheimer & Co. Inc. ("Oppenheimer"), a registered broker-dealer in securities and investment adviser under the Investment Advisers Act of 1940; Oppenheimer Asset Management Inc. ("OAM") and its wholly-owned subsidiary, Oppenheimer Investment Management LLC, both registered investment advisers under the Investment Advisers Act of 1940; Oppenheimer Trust Company of Delaware ("Oppenheimer Trust"), a limited purpose trust company that provides fiduciary services such as trust and estate administration and investment management; OPY Credit Corp., which offers syndication as well as trading of issued corporate loans; Oppenheimer Europe Ltd., based in the United Kingdom, with offices in the Isle of Jersey and Switzerland, which provides institutional equities and fixed income brokerage and corporate finance and is regulated by the Financial Conduct Authority; Oppenheimer Investments Asia Limited, based in Hong Kong, China, which provides fixed income and equities brokerage services to institutional investors and is regulated by the Securities and Futures Commission; and Oppenheimer Multifamily Housing & Healthcare Finance, Inc. ("OMHHF") which was formerly engaged in Federal Housing Administration ("FHA")-insured commercial mortgage origination and servicing. During 2016, the Company sold substantially all of the assets of OMHHF and ceased its operations. Oppenheimer owns Freedom Investments, Inc. ("Freedom"), a registered broker dealer in securities, which provides discount brokerage services, and Oppenheimer Israel (OPCO) Ltd., which is engaged in offering investment services in the State of Israel. Oppenheimer holds a trading permit on the New York Stock Exchange and is a member of several other regional exchanges in the United States.

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "Form 10-K"). The accompanying December 31, 2017 condensed consolidated balance sheet data was derived from the audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions that the Company may undertake in the future, actual results may differ materially from the estimates. The condensed consolidated results of operations for the six month period ended June 30, 2018 are not necessarily indicative of the results to be expected for any future interim or annual period.

Certain prior period amounts have been reclassified to conform to the current period presentation.
Accounting standards require the Company to present non-controlling interests as a separate component of stockholders' equity on the Company's condensed consolidated balance sheet. As of June 30, 2018, the Company owned 83.68% of OMHHF and the non-controlling interest recorded on the condensed consolidated balance sheet was $349,000.

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(unaudited)

2. New accounting pronouncements

Recently Issued

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

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

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

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

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

3. Revenues from contracts with customers

In the first quarter of 2018, the Company adopted ASU 2014-09, "Revenue from Contracts with Customers." The Company has elected the modified retrospective method which did not result in a cumulative-effect adjustment at the date of adoption. The implementation of this new standard had no material impact on the Company's condensed consolidated financial statements for the three and six months ended June 30, 2018.

Revenue from contracts with customers is recognized when, or as, the Company satisfies its performance obligations by transferring the promised goods or services to customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring the Company's progress in satisfying the performance obligation in a manner that depicts the transfer of the goods or services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that the Company determines the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled in exchange for those promised goods or services (i.e., the "transaction price"). In determining the transaction price, the Company considers multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, the Company considers the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of the Company's influence, such as market volatility or the judgment and actions of third parties.

The Company earns revenue from contracts with customers and other sources (principal transactions, interest and other). The following provides detailed information on the recognition of the Company's revenue from contracts with customers:

Commissions

Commissions from Sales and Trading — The Company earns commission revenue by executing, settling and clearing transactions with clients primarily in exchange-traded and over-the-counter corporate equity and debt securities, money market instruments and exchange-traded options and futures contracts. A substantial portion of Company's revenue is derived from commissions from private clients through accounts with transaction-based pricing. Trade execution and clearing services, when provided together, represent a single performance obligation as the services are not separately identifiable in the context of the contract. Commission revenue associated with combined trade execution and clearing services, as well as trade execution services on a standalone basis, is recognized at a point in time on trade date when the performance obligation is satisfied. Commission revenue is generally paid on settlement date, which is generally two business days after trade date for equity securities and corporate bond transactions and one day for government securities and commodities transactions. The Company records a receivable on the trade date and receives a payment on settlement date.

Mutual Fund Income — The Company earns mutual fund income for sales and distribution of mutual fund shares. Many mutual fund companies pay distribution fees to intermediaries, such as broker-dealers, for selling their shares. The fees are operational expenses of the mutual fund and are included in its expense ratio. The Company recognizes mutual fund income at a point in time on trade date when the performance obligation is satisfied which is when the mutual fund interest is sold to the investor. Mutual fund income is generally received within 90 days.

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)

Advisory Fees
The Company earns management and performance (or incentive) fees in connection with the advisory and asset management services it provides to various types of funds and investment vehicles through its subsidiaries. Management fees are generally based on the account value at the valuation date per the respective asset management agreements and are recognized over time as the customer receives the benefits of the services evenly throughout the term of the contract. Performance fees are recognized when the return on client assets under management ("AUM") exceeds a specified benchmark return or other performance targets over a 12-month measurement period. Performance fees are considered variable as they are subject to fluctuation and/or are contingent on a future event over the measurement period and are not subject to adjustment once the measurement period ends. Such fees are computed as of the fund's year-end when the measurement period ends and generally are recorded as earned in the fourth quarter of the Company's fiscal year. Both management and performance fees are generally received within 90 days.
Investment Banking
The Company earns underwriting revenues by providing capital raising solutions for corporate clients through initial public offerings, follow-on offerings, equity-linked offerings, private investments in public entities, and private placements. Underwriting revenues are recognized at a point in time on trade date, as the client obtains the control and benefit of the capital markets offering at that point. These fees are generally received within 90 days after the transactions are completed. Transaction-related expenses, primarily consisting of legal, travel and other costs directly associated with the transaction, are deferred and recognized in the same period as the related investment banking transaction revenue. Underwriting revenues and related expenses are presented gross on the condensed consolidated statement of operations.
Revenue from financial advisory services includes fees generated in connection with mergers, acquisitions and restructuring transactions and such revenue and fees are primarily recorded at a point in time when services for the transactions are completed and income is reasonably determinable, generally as set forth under the terms of the engagement. Payment for advisory services is generally due upon a completion of the transaction or milestone. Retainer fees and fees earned from certain advisory services are recognized ratably over the service period as the customer receives the benefit of the services throughout the term of the contracts, and such fees are collected based on the terms of the contracts.
Bank Deposit Sweep Income
Bank deposit sweep income consists of revenue earned from the FDIC-insured bank deposit program. Under this program, client funds are swept into deposit accounts at participating banks and are eligible for FDIC deposit insurance up to FDIC standard maximum deposit insurance amounts. Fees are earned over time and are generally received within 30 days.

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

Disaggregation of Revenue

The following presents the Company's revenue from contracts with customers disaggregated by major business activity and other sources of revenue for the three and six months ended June 30, 2018:

(Expressed in thousands)	For the Three Months Ended June 30, 2018				
	Reportable Segments				
	Private Client	Asset Management	Capital Markets	Corporate/Other	Total
Revenues from contracts with customers:					
Commissions from sales and trading	$39,093	$ —	$33,022	$ 62	$72,177
Mutual fund income	10,441	222	5	5	10,673
Advisory fees	59,774	17,485	3	8	77,270
Investment banking - capital markets	3,469	—	16,196	—	19,665
Investment banking - advisory	—	—	8,239	—	8,239
Bank deposit sweep income	28,853	—	—	—	28,853
Other	3,430	3	457	(47)	3,843
Total revenues from contracts with customers	145,060	17,710	57,922	28	220,720
Other sources of revenue:					
Interest	9,514	(4)	3,263	283	13,056
Principal transactions, net	212	—	6,989	(801)	6,400
Other	1,767	—	32	581	2,380
Total other sources of revenue	11,493	(4)	10,284	63	21,836
Total revenue	$156,553	$ 17,706	$68,206	$ 91	$242,556

(Expressed in thousands)	For the Six Months Ended June 30, 2018				
	Reportable Segments				
	Private Client	Asset Management	Capital Markets	Corporate/Other	Total
Revenues from contracts with customers:					
Commissions from sales and trading	$79,371	$ —	$65,019	$ 77	$144,467
Mutual fund income	21,268	505	7	10	21,790
Advisory fees	119,910	34,838	54	16	154,818
Investment banking - capital markets	7,839	—	30,592	—	38,431
Investment banking - advisory	—	—	17,683	—	17,683
Bank deposit sweep income	54,150	—	—	—	54,150
Other	7,705	6	432	(46)	8,097
Total revenues from contracts with customers	290,243	35,349	113,787	57	439,436
Other sources of revenue:					
Interest	18,351	1	6,468	463	25,283

Principal transactions, net	132	—	9,381	(387)	9,126
Other	1,921	—	99	1,221	3,241
Total other sources of revenue	20,404	1	15,948	1,297	37,650
Total revenue	$310,647	$ 35,350	$129,735	$ 1,354	$477,086

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Contract Balances
The timing of the Company's revenue recognition may differ from the timing of payment by its customers. The Company records receivables when revenue is recognized prior to payment and it has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied.
The Company had receivables related to revenue from contracts with customers of $22.3 million and $18.6 million at June 30, 2018 and January 1, 2018, respectively. The Company had no significant impairments related to these receivables during the three and six months ended June 30, 2018.
Deferred revenue primarily relates to IRA fees received annually in advance on customer's IRA accounts managed by the Company where the performance obligation has not yet been satisfied. Total deferred revenue was $2.0 million and $nil at June 30, 2018 and January 1, 2018, respectively.
The following presents the Company's contract assets and deferred revenue balances from contracts with customers, which are included in other assets and other liabilities, respectively, on the condensed consolidated balance sheet:
(Expressed in thousands)

	Ending Balance at June 30, 2018	Opening Balance at January 1, 2018
Contract assets (receivables):		
Commission (1)	$3,059	$2,007
Mutual fund income (2)	7,308	7,779
Advisory fees (3)	750	1,460
Bank deposit sweep income (4)	3,874	3,459
Investment banking fees (5)	4,683	3,926
Other	2,661	—
Total contract assets	$22,335	$18,631
Deferred revenue (payables):		
Investment banking fees	$450	$—
IRA fees	1,515	—
Total deferred revenue	$1,965	$—

(1) Commission recorded on trade date but not yet settled.
(2) Mutual fund income earned but not yet received.
(3) Management and performance fees earned but not yet received.
(4) Fees earned from FDIC-insured bank deposit program but not yet received.
(5) Underwriting revenue and advisory fee earned but not yet received.

Contract Costs

The Company incurs incremental transaction-related costs to obtain and/or fulfill contracts associated with investment banking and advisory engagements where the revenue is recognized at a point in time and the costs are determined to be recoverable. As of June 30, 2018, the contract costs were $1.6 million. There were no significant charges recognized in relation to these costs for the six months ended June 30, 2018.

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4. Earnings per share

Basic earnings per share is computed by dividing net income attributable to Oppenheimer Holdings Inc. by the weighted average number of shares of Class A non-voting common stock ("Class A Stock") and Class B voting common stock ("Class B Stock") outstanding. Diluted earnings per share includes the weighted average number of shares of Class A Stock and Class B Stock outstanding and options to purchase Class A Stock and unvested restricted stock awards of Class A Stock using the treasury stock method.

Earnings per share have been calculated as follows:

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Basic weighted average number of shares outstanding	13,248,812	13,260,855	13,244,245	13,329,670
Net dilutive effect of share-based awards, treasury method (1)	801,761	—	761,311	—
Diluted weighted average number of shares outstanding	14,050,573	13,260,855	14,005,556	13,329,670
Net income (loss) from continuing operations	$8,839	$ (1,363)	$15,548	$ (6,701)
Net income from discontinued operations	—	53	—	640
Net income (loss)	8,839	(1,310)	15,548	(6,061)
Less net income (loss) attributable to non-controlling interest, net of tax	(16)	9	(12)	105
Net income (loss) attributable to Oppenheimer Holdings Inc.	$8,855	$ (1,319)	$15,560	$ (6,166)
Basic net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	$0.67	$ (0.10)	$1.17	$ (0.50)
Discontinued operations (2)	—	—	—	0.04
Net income (loss) per share	$0.67	$ (0.10)	$1.17	$ (0.46)
Diluted net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	$0.63	$ (0.10)	$1.11	$ (0.50)
Discontinued operations (2)	—	—	—	0.04
Net income (loss) per share	$0.63	$ (0.10)	$1.11	$ (0.46)

(1) For both the three and six months ended June 30, 2018, the diluted net income (loss) per share computation does not include the anti-dilutive effect of 4,050 shares of Class A Stock granted under share-based compensation arrangements (1,336,424 shares for both the three and six months ended June 30, 2017).

(2)

Represents net income from discontinued operations less net income attributable to non-controlling interest, net of tax divided by weighted average number of shares outstanding.

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

	As of June 30, 2018	December 31, 2017
Receivable from brokers, dealers and clearing organizations consists of:		
Securities borrowed	$122,238	$ 132,368
Receivable from brokers	31,962	19,298
Securities failed to deliver	24,227	9,442
Clearing organizations	23,459	24,361
Other	2,641	1,646
Total	$204,527	$ 187,115
Payable to brokers, dealers and clearing organizations consists of:		
Securities loaned	$199,598	$ 180,270
Payable to brokers	18,984	1,567
Securities failed to receive	16,894	17,559
Other	47,066	12,087
Total	$282,542	$ 211,483

6. Fair value measurements
Securities owned, securities sold but not yet purchased, investments and derivative contracts are carried at fair value with changes in fair value recognized in earnings each period.
Valuation Techniques
A description of the valuation techniques applied and inputs used in measuring the fair value of the Company's financial instruments is as follows:
U.S. Government Obligations
U.S. Treasury securities are valued using quoted market prices obtained from active market makers and inter-dealer brokers.
U.S. Agency Obligations
U.S. agency securities consist of agency issued debt securities and mortgage pass-through securities. Non-callable agency issued debt securities are generally valued using quoted market prices. Callable agency issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The fair value of mortgage pass-through securities are model driven with respect to spreads of the comparable to-be-announced ("TBA") security.
Sovereign Obligations
The fair value of sovereign obligations is determined based on quoted market prices when available or a valuation model that generally utilizes interest rate yield curves and credit spreads as inputs.

Corporate Debt and Other Obligations

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

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Mortgage and Other Asset-Backed Securities
The Company values non-agency securities collateralized by home equity and various other types of collateral based on external pricing and spread data provided by independent pricing services. When specific external pricing is not observable, the valuation is based on yields and spreads for comparable bonds.
Municipal Obligations
The fair value of municipal obligations is estimated using recently executed transactions, broker quotations, and bond spread information.
Convertible Bonds
The fair value of convertible bonds is estimated using recently executed transactions and dollar-neutral price quotations, where observable. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves and bond spreads as key inputs.
Corporate Equities
Equity securities and options are generally valued based on quoted prices from the exchange or market where traded. To the extent quoted prices are not available, fair values are generally derived using bid/ask spreads.
Auction Rate Securities ("ARS")
In February 2010, Oppenheimer finalized settlements with each of the New York Attorney General's office ("NYAG") and the Massachusetts Securities Division ("MSD" and, together with the NYAG, the "Regulators") concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. As of June 30, 2018, the Company had $5.0 million in outstanding ARS purchase commitments related to the settlements with the Regulators.
In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client-related legal settlements and awards to purchase ARS, as of June 30, 2018, the Company purchased and holds (net of redemptions) approximately $92.3 million in ARS from its clients. In addition, the Company is committed to purchase another $7.2 million in ARS from clients through 2020 under legal settlements and awards.
The ARS positions that the Company owns and is committed to purchase primarily represent auction rate preferred securities issued by closed-end funds and, to a lesser extent, municipal auction rate securities that are municipal bonds wrapped by municipal bond insurance and student loan auction rate securities that are asset-backed securities backed by student loans.
Interest rates on ARS typically reset through periodic auctions. Due to the auction mechanism and generally liquid markets, ARS have historically been classified as Level 1 of the fair value hierarchy. Beginning in February 2008, uncertainties in the credit markets resulted in substantially all of the ARS market experiencing failed auctions. Once the auctions failed, the ARS could no longer be valued using observable prices set in the auctions. The Company has used less observable determinants of the fair value of ARS, including the strength in the underlying credits, announced issuer redemptions, completed issuer redemptions, and announcements from issuers regarding their intentions with respect to their outstanding ARS. The Company has also developed an internal methodology to discount for the lack

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

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The ARS purchase commitment, or derivative asset or liability, arises from both the settlements with the Regulators and legal settlements and awards. The ARS purchase commitment represents the difference between the principal value and the fair value of the ARS the Company is committed to purchase. The Company utilizes the same valuation methodology for the ARS purchase commitment as it does for the ARS it owns. Additionally, the present value of the future principal value of ARS purchase commitments under legal settlements and awards is used in the discounted valuation model to reflect the time value of money over the period of time that the commitments are outstanding. The amount of the ARS purchase commitment only becomes determinable once the Company has met with its primary regulator and the NYAG and agreed upon a buyback amount, commenced the ARS buyback offer to clients, and received notice from its clients which ARS they are tendering. As a result, it is not possible to observe the current yields actually paid on the ARS until all of these events have happened which is typically very close to the time that the Company actually purchases the ARS. For ARS purchase commitments pursuant to legal settlements and awards, the criteria for purchasing ARS from clients is based on the nature of the settlement or award which will stipulate a time period and amount for each repurchase. The Company will not know which ARS will be tendered by the client until the stipulated time for repurchase is reached. Therefore, the Company uses the current yields of ARS owned in its discounted valuation model to determine a fair value of ARS purchase commitments. The Company also uses these current yields by asset class (i.e., auction rate preferred securities, municipal auction rate securities, and student loan auction rate securities) in its discounted valuation model to determine the fair value of ARS purchase commitments. In addition, the Company uses the discount rate and duration of ARS owned, by asset class, as a proxy for the duration of ARS purchase commitments.

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Additional information regarding the valuation technique and inputs for ARS used is as follows:
(Expressed in thousands)
Quantitative Information about ARS Level 3 Fair Value Measurements as of June 30, 2018

Product	Principal	Valuation Adjustment	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Auction Rate Securities Owned [1]							
Auction Rate Preferred Securities	$73,275	$ 941	$72,334	Discounted Cash Flow	Discount Rate [2]	2.83% to 3.86%	3.22%
					Duration	2.5 Years	2.5 Years
					Current Yield [3]	2.36% to 3.21%	2.68%
Auction Rate Preferred Securities	18,725	1,123	17,602	Tender Offer [4]	N/A	N/A	N/A
Municipal Auction Rate Securities	25	—	25	Par	N/A	N/A	N/A
Student Loan Auction Rate Securities	275	13	262	Discounted Cash Flow	Discount Rate [5]	3.96%	3.96%
					Duration	5.5 Years	5.5 Years
					Current Yield [3]	2.95%	2.95%
	$92,300	$ 2,077	$90,223				
Auction Rate Securities Commitments to Purchase [6]							
Auction Rate Preferred Securities	$10,620	$ 130	$10,490	Discounted Cash Flow	Discount Rate [2]	2.83% to 3.86%	3.22%
					Duration	2.5 Years	2.5 Years
					Current Yield [3]	2.36% to 3.21%	2.68%
Auction Rate Preferred Securities	1,515	91	1,424	Tender Offer [4]	N/A	N/A	N/A
Municipal Auction Rate Securities	2	—	2	Par	N/A	N/A	N/A
Student Loan Auction Rate Securities	25	1	24	Discounted Cash Flow	Discount Rate [5]	3.96%	3.96%

				Duration	5.5 Years	5.5 Years
				Current Yield (3)	2.95%	2.95%
	$12,162	$ 222	$11,940			
Total	$104,462	$ 2,299	$102,163			

(1) Principal amount represents the par value of the ARS and is included in securities owned on the condensed consolidated balance sheet as of June 30, 2018. The valuation adjustment amount is included as a reduction to securities owned on the condensed consolidated balance sheet as of June 30, 2018.
(2) Derived by applying a multiple to a spread between 110% to 150% to the U.S. Treasury rate of 2.58%.
(3) Based on current yields for ARS positions owned.
(4) ARS issuer announced tender offer at 94% of par. Included in Level 2 of the fair value hierarchy.
(5) Derived by applying the sum of the spread of 1.20% to the U.S. Treasury rate of 2.76%.
(6) Principal amount represents the present value of the ARS par value that the Company is committed to purchase at a future date. This principal amount is presented as an off-balance sheet item. The valuation adjustment amount is included in accounts payable and other liabilities on the condensed consolidated balance sheet as of June 30, 2018.

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

- The impact of a 25 basis point increase in the discount rate at June 30, 2018 would result in a decrease in the fair value of $493,000 (does not consider a corresponding reduction in duration as discussed above).
- The impact of a 50 basis point increase in the discount rate at June 30, 2018 would result in a decrease in the fair value of $982,000 (does not consider a corresponding reduction in duration as discussed above).

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

Due to the less observable nature of these inputs, ARS are primarily categorized in Level 3 of the fair value hierarchy. As of June 30, 2018, the Company had a valuation adjustment (unrealized loss) of $2.1 million for ARS owned which is included as a reduction to securities owned on the condensed consolidated balance sheet. As of June 30, 2018, the Company also had a valuation adjustment of $222,000 on ARS purchase commitments from settlements with the Regulators and legal settlements and awards, which is included in accounts payable and other liabilities on the condensed consolidated balance sheet. The total valuation adjustment was $2.3 million as of June 30, 2018. The valuation adjustment represents the difference between the principal value and the fair value of the ARS owned and ARS purchase commitments.

Investments

In its role as general partner in certain hedge funds and private equity funds, the Company, through its subsidiaries, holds direct investments in such funds. The Company uses the net asset value of the underlying fund as a basis for estimating the fair value of its investment.

The following table provides information about the Company's investments in Company-sponsored funds as of June 30, 2018:

(Expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds [(1)]	$ 2,624	$ —	Quarterly - Annually	30 - 120 Days

Private equity funds (2)	5,008	1,400	N/A	N/A
	$ 7,632	$ 1,400		

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

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

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Valuation Process

The Company's Finance & Accounting ("F&A") group is responsible for the Company's fair value policies, processes and procedures. F&A is independent from the business units and trading desks and is headed by the Company's Chief Financial Officer ("CFO"), who has final authority over the valuation of the Company's financial instruments. The Finance Control Group ("FCG") within F&A is responsible for daily profit and loss reporting, front-end trading system position reconciliations, monthly profit and loss reporting, and independent price verification procedures.

For financial instruments categorized in Levels 1 and 2 of the fair value hierarchy, the FCG performs a monthly independent price verification to determine the reasonableness of the prices provided by the Company's independent pricing vendor. The FCG uses its third-party pricing vendor, executed transactions, and broker-dealer quotes for validating the fair values of financial instruments.

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

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Assets and Liabilities Measured at Fair Value

The Company's assets and liabilities, recorded at fair value on a recurring basis as of June 30, 2018 and December 31, 2017, 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, 2018
(Expressed in thousands)

	Fair Value Measurements as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$10,500	$—	$—	$10,500
Deposits with clearing organizations	31,135	—	—	31,135
Securities owned:				
U.S. Treasury securities	690,988	—	—	690,988
U.S. Agency securities	8,541	7,906	—	16,447
Sovereign obligations	—	204	—	204
Corporate debt and other obligations	—	24,813	—	24,813
Mortgage and other asset-backed securities	—	6,870	—	6,870
Municipal obligations	—	116,612	—	116,612
Convertible bonds	—	41,135	—	41,135
Corporate equities	33,112	—	—	33,112
Auction rate securities	—	17,602	72,621	90,223
Securities owned, at fair value	732,641	215,142	72,621	1,020,404
Investments (1)	—	—	164	164
Derivative contracts:				
TBAs	—	2,815	—	2,815
Total	$774,276	$217,957	$72,785	$1,065,018
Liabilities				
Securities sold but not yet purchased:				
U.S. Treasury securities	$115,465	$—	$—	$115,465
U.S. Agency securities	—	6	—	6
Corporate debt and other obligations	—	5,289	—	5,289
Mortgage and other asset-backed securities	—	6,808	—	6,808
Convertible bonds	—	7,496	—	7,496
Corporate equities	26,978	—	—	26,978
Securities sold but not yet purchased, at fair value	142,443	19,599	—	162,042
Derivative contracts:				
Futures	942	—	—	942
Foreign exchange forward contracts	5	—	—	5

TBAs	—	2,715	—	2,715
ARS purchase commitments	—	91	131	222
Derivative contracts, total	947	2,806	131	3,884
Total	$143,390	$22,405	$131	$165,926

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

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Assets and liabilities measured at fair value on a recurring basis as of December 31, 2017
(Expressed in thousands)

	Fair Value Measurements as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$10,490	$—	$—	$10,490
Deposits with clearing organizations	34,293	—	—	34,293
Securities owned:				
U.S. Treasury securities	640,337	—	—	640,337
U.S. Agency securities	3,011	6,894	—	9,905
Sovereign obligations	—	608	—	608
Corporate debt and other obligations	—	12,538	—	12,538
Mortgage and other asset-backed securities	—	4,037	—	4,037
Municipal obligations	—	89,618	35	89,653
Convertible bonds	—	23,216	—	23,216
Corporate equities	34,067	—	—	34,067
Money markets	383	—	—	383
Auction rate securities	—	24,455	87,398	111,853
Securities owned, at fair value	677,798	161,366	87,433	926,597
Investments (1)	—	—	169	169
Derivative contracts:				
TBAs	—	716	—	716
Total	$722,581	$162,082	$87,602	$972,265
Liabilities				
Securities sold but not yet purchased:				
U.S. Treasury securities	$53,425	$—	$—	$53,425
U.S. Agency securities	—	13	—	13
Sovereign obligations	—	1,179	—	1,179
Corporate debt and other obligations	—	4,357	—	4,357
Mortgage and other asset-backed securities	—	10	—	10
Convertible bonds	—	10,109	—	10,109
Corporate equities	25,393	—	—	25,393
Securities sold but not yet purchased, at fair value	78,818	15,668	—	94,486
Derivative contracts:				
Futures	766	—	—	766
TBAs	—	614	—	614
ARS purchase commitments	—	—	8	8

Derivative contracts, total	766	614	8	1,388
Total	$79,584	$16,282	$8	$95,874

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

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During the three and six months ended June 30, 2018, the Company transferred $17.6 million and $91,000 in ARS and ARS purchase commitments, respectively, from Level 3 to Level 2 of the fair value hierarchy due to tender offer announcements by issuer of auction rate preferred securities. There were no transfers between any of the levels during the three and six months ended June 30, 2017.
The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended June 30, 2018 and 2017:
(Expressed in thousands)

Level 3 Assets and Liabilities
For the Three Months Ended June 30, 2018

	Beginning Balance	Total Realized and Unrealized Gains (Losses) (3)(4)	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
Assets						
Auction rate securities [1]	$87,350	$ (902)	$ 4,050	$ (275)	$(17,602)	$72,621
Investments	168	(4)	—	—	—	164
Liabilities						
ARS purchase commitments [2]	183	(39)	—	—	91	131

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.
(2) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.
(3) Included in principal transactions in the condensed consolidated statement of operations, except for gains (losses) from investments which are included in other income in the condensed consolidated statement of operations.
(4) Unrealized gains (losses) are attributable to assets or liabilities that are still held at the reporting date.

(Expressed in thousands)

Level 3 Assets and Liabilities
For the Three Months Ended June 30, 2017

Beginning Balance	Total Realized and Unrealized Gains	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance

		(Losses) (3)(4)				
Assets						
Municipal obligations	$36	$ —	$ —	$ —	$ —	$ 36
Auction rate securities [1]	89,743	502	17,050	(125)	—	107,170
Investments	164	4	—	—	—	168
ARS purchase commitments [2]	878	(878)	—	—	—	—
Liabilities						
ARS purchase commitments [2]	359	105	—	—	—	254

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

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

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

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

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The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2018 and 2017:

(Expressed in thousands)

	Level 3 Assets and Liabilities For the Six Months Ended June 30, 2018					
	Beginning Balance	Total Realized and Unrealized Gains (Losses) (3)(4)	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
Assets						
Municipal obligations	$35	$ 14	$ 76	$ (125)	$ —	$ —
Auction rate securities (1)	87,398	(55)	4,100	(1,220)	(17,602)	72,621
Investments	169	(5)	—	—	—	164
Liabilities						
ARS purchase commitments (2)	8	(214)	—	—	91	131

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.
(2) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.
(3) Included in principal transactions in the condensed consolidated statement of operations, except for gains (losses) from investments which are included in other income in the condensed consolidated statement of operations.
(4) Unrealized gains (losses) are attributable to assets or liabilities that are still held at the reporting date.

(Expressed in thousands)

	Level 3 Assets and Liabilities For the Six Months Ended June 30, 2017					
	Beginning Balance	Total Realized and Unrealized Gains (Losses) (3)(4)	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
Assets						
Municipal obligations	$44	$ (8)	$ —	$ —	$ —	$ 36
Auction rate securities (1)	84,926	1,144	22,050	(950)	—	107,170

Investments	158	10	—	—	—	168
ARS purchase commitments [2]	849	(849)	—	—	—	—
Liabilities						
ARS purchase commitments [2]	645	391	—	—	—	254

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

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

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

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

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Financial Instruments Not Measured at Fair Value

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

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

Assets and liabilities not measured at fair value as of June 30, 2018

(Expressed in thousands)		Fair Value Measurement: Assets			
	Carrying Value	Level 1	Level 2	Level 3	Total
Cash	$ 28,461	$28,461	$ —	$ —	$28,461
Deposits with clearing organization	25,729	25,729	—	—	25,729
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	122,238	—	122,238	—	122,238
Receivables from brokers	31,962	—	31,962	—	31,962
Securities failed to deliver	24,227	—	24,227	—	24,227
Clearing organizations	23,459	—	23,459	—	23,459
Other	1,603	—	1,603	—	1,603
	203,489	—	203,489	—	203,489
Receivable from customers	835,708	—	835,708	—	835,708
Securities purchased under agreements to resell	6,738	—	6,738	—	6,738
Notes receivable, net	42,410	—	42,410	—	42,410
Investments (1)	65,601	—	65,601	—	65,601

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

(Expressed in thousands)		Fair Value Measurement: Liabilities			
	Carrying Value	Level 1	Level 2	Level 3	Total
Drafts payable	$ 21,632	$21,632	$ —	$ —	$21,632
Bank call loans	107,500	—	107,500	—	107,500
Payables to brokers, dealers and clearing organizations:					
Securities loaned	199,598	—	199,598	—	199,598
Payable to brokers	18,984	—	18,984	—	18,984
Securities failed to receive	16,894	—	16,894	—	16,894
Other	45,186	—	45,186	—	45,186

	280,662	—	280,662	—	280,662
Payables to customers	373,664	—	373,664	—	373,664
Securities sold under agreements to repurchase	599,151	—	599,151	—	599,151
Senior secured notes	200,000	—	204,174	—	204,174

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Assets and liabilities not measured at fair value as of December 31, 2017

(Expressed in thousands)		Fair Value Measurement: Assets			
	Carrying Value	Level 1	Level 2	Level 3	Total
Cash	$ 37,664	$37,664	$ —	$ —	$37,664
Deposits with clearing organization	7,929	7,929	—	—	7,929
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	132,368	—	132,368	—	132,368
Receivables from brokers	19,298	—	19,298	—	19,298
Securities failed to deliver	9,442	—	9,442	—	9,442
Clearing organizations	24,361	—	24,361	—	24,361
Other	930	—	930	—	930
	186,399	—	186,399	—	186,399
Receivable from customers	848,226	—	848,226	—	848,226
Securities purchased under agreements to resell	658	—	658	—	658
Notes receivable, net	40,520	—	40,520	—	40,520
Investments (1)	65,404	—	65,404	—	65,404

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

(Expressed in thousands)		Fair Value Measurement: Liabilities			
	Carrying Value	Level 1	Level 2	Level 3	Total
Drafts payable	$ 42,212	$42,212	$ —	$ —	$42,212
Bank call loans	118,300	—	118,300	—	118,300
Payables to brokers, dealers and clearing organizations:					
Securities loaned	180,270	—	180,270	—	180,270
Payable to brokers	1,567	—	1,567	—	1,567
Securities failed to receive	17,559	—	17,559	—	17,559
Other	10,707	—	10,707	—	10,707
	210,103	—	210,103	—	210,103
Payables to customers	385,907	—	385,907	—	385,907
Securities sold under agreements to repurchase	586,478	—	586,478	—	586,478
Senior secured notes	200,000	—	206,380	—	206,380

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Fair Value Option
The Company elected the fair value option for securities sold under agreements to repurchase ("repurchase agreements") and securities purchased under agreements to resell ("reverse repurchase agreements") that do not settle overnight or have an open settlement date. The Company has elected the fair value option for these instruments to reflect more accurately market and economic events in its earnings and to mitigate a potential mismatch in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. As of June 30, 2018, the Company did not have any repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date.
Derivative Instruments and Hedging Activities
The Company transacts, on a limited basis, in exchange traded and over-the-counter derivatives for both asset and liability management as well as for trading and investment purposes. Risks managed using derivative instruments include interest rate risk and, to a lesser extent, foreign exchange risk. All derivative instruments are measured at fair value and are recognized as either assets or liabilities on the condensed consolidated balance sheet.
Foreign exchange hedges
From time to time, the Company also utilizes forward and options contracts to hedge the foreign currency risk associated with compensation obligations to Oppenheimer Israel (OPCO) Ltd. employees denominated in New Israeli Shekel ("NIS"). Such hedges have not been designated as accounting hedges. Unrealized gains and losses on foreign exchange forward contracts are recorded in other assets on the condensed consolidated balance sheet and other income in the condensed consolidated statement of operations.
Derivatives used for trading and investment purposes
Futures contracts represent commitments to purchase or sell securities or other commodities at a future date and at a specified price. Market risk exists with respect to these instruments. Notional or contractual amounts are used to express the volume of these transactions and do not represent the amounts potentially subject to market risk. The Company uses futures contracts, including U.S. Treasury notes, Federal Funds, General Collateral futures and Eurodollar contracts primarily as an economic hedge of interest rate risk associated with government trading activities. Unrealized gains and losses on futures contracts are recorded on the condensed consolidated balance sheet in payable to brokers, dealers and clearing organizations and in the condensed consolidated statement of operations as principal transactions revenue, net.
To-be-announced securities
The Company also transacts in pass-through mortgage-backed securities eligible to be sold in the TBA market as economic hedges against mortgage-backed securities that it owns or has sold but not yet purchased. TBAs provide for the forward or delayed delivery of the underlying instrument with settlement up to 180 days. The contractual or notional amounts related to these financial instruments reflect the volume of activity and do not reflect the amounts at risk. Net unrealized gains and losses on TBAs are recorded on the condensed consolidated balance sheet in receivable from brokers, dealers and clearing organizations or payable to brokers, dealers and clearing organizations and in the condensed consolidated statement of operations as principal transactions revenue, net.

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The notional amounts and fair values of the Company's derivatives as of June 30, 2018 and December 31, 2017 by product were as follows:
(Expressed in thousands)

	Fair Value of Derivative Instruments as of June 30, 2018		
	Description	Notional	Fair Value
Assets:			
Derivatives not designated as hedging instruments (1)			
Other contracts	TBAs	$821,000	$ 1,777
	Other TBAs (2)	31,366	1,038
		$852,366	$ 2,815
Liabilities:			
Derivatives not designated as hedging instruments (1)			
Commodity contracts	Futures	$4,981,000	$ 942
Other contracts	Foreign exchange forward contracts	400	5
	TBAs	821,000	1,749
	Other TBAs (2)	31,366	966
	ARS purchase commitments	12,162	222
		$5,845,928	$ 3,884

(1) See "Derivative Instruments and Hedging Activities" above for description of derivative financial instruments. Such derivative instruments are not subject to master netting agreements, thus the related amounts are not offset.
(2) Represents TBA purchase and sale contracts related to the legacy OMHHF business.

(Expressed in thousands)

	Fair Value of Derivative Instruments as of December 31, 2017		
	Description	Notional	Fair Value
Assets:			
Derivatives not designated as hedging instruments (1)			
Other contracts	TBAs	$26,000	$ 22
	Other TBAs (2)	39,576	694
		$65,576	$ 716
Liabilities:			
Derivatives not designated as hedging instruments (1)			
Commodity contracts	Futures	$5,844,000	$ 766
Other contracts	TBAs	26,000	22
	Other TBAs (2)	39,576	592
	ARS purchase commitments	10,992	8
		$5,920,568	$ 1,388

(1) See "Derivative Instruments and Hedging Activities" above for a description of derivative financial instruments.
(2) Represents TBA purchase and sale contracts related to the legacy OMHHF business.

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The following table presents the location and fair value amounts of the Company's derivative instruments and their effect in the condensed consolidated statements of operations for the three months ended June 30, 2018 and 2017:

(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations For the Three Months Ended June 30, 2018			
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ 322
Other contracts	Foreign exchange forward contracts	Other revenue	(5)
Other contracts	TBAs	Principal transactions revenue	162
	Other TBAs	Other revenue	72
	ARS purchase commitments	Principal transactions revenue	(39)
			$ 512

(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations For the Three Months Ended June 30, 2017			
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ (8)
Other contracts	Foreign exchange forward contracts	Other revenue	8
	TBAs	Principal transactions revenue	204
	Other TBAs	Other revenue	191
	ARS purchase commitments	Principal transactions revenue	(773)
			$ (378)

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The following table presents the location and fair value amounts of the Company's derivative instruments and their effect in the condensed consolidated statements of operations for the six months ended June 30, 2018 and 2017:

(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations
For the Six Months Ended June 30, 2018

		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ 1,351
Other contracts	Foreign exchange forward contracts	Other revenue	(5)
Other contracts	TBAs	Principal transactions revenue	196
	Other TBAs	Other revenue	147
	ARS purchase commitments	Principal transactions revenue	(214)
			$ 1,475

(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations
For the Six Months Ended June 30, 2017

		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ 234
Other contracts	Foreign exchange forward contracts	Other revenue	12
	TBAs	Principal transactions revenue	77
	Other TBAs	Other revenue	511
	ARS purchase commitments	Principal transactions revenue	(458)
			$ 376

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7. Collateralized transactions

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

The Company obtains short-term borrowings primarily through bank call loans. Bank call loans are generally payable on demand and bear interest at various rates but not exceeding the broker call rate. As of June 30, 2018, bank call loans were $107.5 million ($118.3 million as of December 31, 2017). As of June 30, 2018, such loans were collateralized by firm and customer securities with market values of approximately $93.2 million and $442.6 million, respectively, with commercial banks.

As of June 30, 2018, the Company had approximately $1.1 billion of customer securities under customer margin loans that are available to be pledged, of which the Company has re-pledged approximately $161.2 million under securities loan agreements.

As of June 30, 2018, the Company had pledged $364.7 million of customer securities directly with the Options Clearing Corporation to secure obligations and margin requirements under option contracts written by customers.

As of June 30, 2018, the Company had no outstanding letters of credit.

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

The following table presents a disaggregation of the gross obligation by the class of collateral pledged and the remaining contractual maturity of the repurchase agreements and securities loaned transactions as of June 30, 2018:

(Expressed in thousands)

	Overnight and Open
Repurchase agreements:	
U.S. Government and Agency securities	$694,162
Securities loaned:	
Equity securities	199,598
Gross amount of recognized liabilities for repurchase agreements and securities loaned	$893,760

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The following tables present the gross amounts and the offsetting amounts of reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions as of June 30, 2018 and December 31, 2017:

As of June 30, 2018
(Expressed in thousands)

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet: Financial Instruments	Gross Amounts Not Offset on the Balance Sheet: Cash Collateral Received	Net Amount
Reverse repurchase agreements	$ 101,749	$ (95,011)	$ 6,738	$ (6,431)	$ —	$ 307
Securities borrowed [1]	122,238	—	122,238	(117,374)	—	4,864
Total	$ 223,987	$ (95,011)	$ 128,976	$ (123,805)	$ —	$ 5,171

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

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet: Financial Instruments	Gross Amounts Not Offset on the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 694,162	$ (95,011)	$ 599,151	$ (597,168)	$ —	$ 1,983
Securities loaned [2]	199,598	—	199,598	(188,954)	—	10,644
Total	$ 893,760	$ (95,011)	$ 798,749	$ (786,122)	$ —	$ 12,627

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

As of December 31, 2017
(Expressed in thousands)

	Gross Amounts of Recognized	Gross Amounts Offset on	Net Amounts of Assets Presented on	Gross Amounts Not Offset on the Balance Sheet: Financial Instruments	Gross Amounts Not Offset on the Balance Sheet: Cash Collateral Received	Net Amount

	Assets	the Balance Sheet	the Balance Sheet			
Reverse repurchase agreements	$ 200,712	$(200,054)	$ 658	$ —	$ —	$ 658
Securities borrowed (1)	132,368	—	132,368	(128,575)	—	3,793
Total	$ 333,080	$(200,054)	$ 133,026	$ (128,575)	$ —	$ 4,451

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

				Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 786,532	$(200,054)	$ 586,478	$ (585,289)	$ —	$ 1,189
Securities loaned (2)	180,270	—	180,270	(170,176)	—	10,094
Total	$ 966,802	$(200,054)	$ 766,748	$ (755,465)	$ —	$ 11,283

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

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Certain of the Company's repurchase agreements and reverse repurchase agreements are carried at fair value as a result of the Company's fair value option election. The Company elected the fair value option for those repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date. As of June 30, 2018, the Company did not have any repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date.

The Company receives collateral in connection with securities borrowed and reverse repurchase agreement transactions and customer margin loans. Under many agreements, the Company is permitted to sell or re-pledge the securities received (e.g., use the securities to enter into securities lending transactions, or deliver to counterparties to cover short positions). As of June 30, 2018, the fair value of securities received as collateral under securities borrowed transactions and reverse repurchase agreements was $118.2 million ($127.2 million as of December 31, 2017) and $95.1 million ($221.6 million as of December 31, 2017), respectively, of which the Company has sold and re-pledged approximately $26.6 million ($30.9 million as of December 31, 2017) under securities loaned transactions and $95.1 million under repurchase agreements ($221.6 million as of December 31, 2017).

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 $692.3 million, as presented on the face of the condensed consolidated balance sheet as of June 30, 2018 ($655.7 million as of December 31, 2017). 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 $92.8 million as of June 30, 2018 ($97.2 million as of December 31, 2017).

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

Credit Concentrations

Credit concentrations may arise from trading, investing, underwriting and financing activities and may be impacted by changes in economic, industry or political factors. In the normal course of business, the Company may be exposed to credit risk in the event customers, counterparties including other brokers and dealers, issuers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations. The Company seeks to mitigate these risks by actively monitoring exposures and obtaining collateral as deemed appropriate. Included in receivable from brokers, dealers and clearing organizations as of June 30, 2018 are receivables from four major U.S. broker-dealers totaling approximately $77.2 million.

The Company is obligated to settle transactions with brokers and other financial institutions even if its clients fail to meet their obligations to the Company. Clients are required to complete their transactions on the settlement date, generally one to two business days after the trade date. If clients do not fulfill their contractual obligations, the

Company may incur losses. The Company has clearing/participating arrangements with the National Securities Clearing Corporation, the Fixed Income Clearing Corporation ("FICC"), R.J. O'Brien & Associates (commodities transactions), Mortgage-Backed Securities Division (a division of FICC) and others. With respect to its business in reverse repurchase and repurchase agreements, substantially all open contracts as of June 30, 2018 are with the FICC. In addition, the Company clears its non-U.S. international equities business carried on by Oppenheimer Europe Ltd. through Global Prime Partners, Ltd. The clearing organizations have the right to charge the Company for losses that result from a client's failure to fulfill its contractual obligations. Accordingly, the Company has credit exposures with these clearing brokers. The clearing brokers can re-hypothecate the securities held on behalf of the Company. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing brokers, the Company believes there is no maximum amount assignable to this right. As of June 30, 2018, the Company had recorded no liabilities with regard to this right. The Company's policy is to monitor the credit standing of the clearing brokers and banks with which it conducts business.

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8. Variable interest entities ("VIEs")

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

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

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

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

The following tables set forth the total VIE assets, the carrying value of the subsidiaries' variable interests, and the Company's maximum exposure to loss in Company-sponsored non-consolidated VIEs in which the Company holds variable interests and other non-consolidated VIEs in which the Company holds variable interests as of June 30, 2018 and December 31, 2017:

(Expressed in thousands)

	As of June 30, 2018				
	Total VIE Assets (1)	Carrying Value of the Company's Variable Interest		Capital Commitments	Maximum Exposure to Loss in Non-consolidated VIEs
		Assets (2)	Liabilities		
Hedge funds	$327,974	$ 717	$ —	$ —	$ 717
Private equity funds	9,108	12	—	1	13

Total	$337,082	$ 729	$ —	$ 1	$ 730

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

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

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(Expressed in thousands)

	As of December 31, 2017				
	Total VIE Assets [1]	Carrying Value of the Company's Variable Interest: Assets [2]	Carrying Value of the Company's Variable Interest: Liabilities	Capital Commitments	Maximum Exposure to Loss in Non-consolidated VIEs
Hedge funds	$328,172	$ 713	$ —	$ —	$ 713
Private equity funds	15,668	12	—	2	14
Total	$343,840	$ 725	$ —	$ 2	$ 727

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

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

9. Long-term debt

(Expressed in thousands)

Issued	Maturity Date	June 30, 2018	December 31, 2017
6.75% Senior Secured Notes	7/1/2022	$200,000	$200,000
Unamortized Debt Issuance Cost		(1,034)	(1,163)
		$198,966	$198,837

6.75% Senior Secured Notes

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

The indenture governing the Notes contains covenants that place restrictions on the incurrence of indebtedness, the payment of dividends, the repurchase of equity, the sale of assets, mergers and acquisitions and the granting of liens. Pursuant to the indenture governing the Notes, the Parent is restricted from paying any dividend or making any payment or distribution on account of its equity interests unless, among other things, (i) the dividend, payment or distribution (together with all other such dividends, payments or distributions made since July 1, 2017) is less than an amount calculated based in part on the Consolidated Adjusted Net Income (as defined in the indenture governing the Notes) of the Parent and its restricted and regulated subsidiaries since July 1, 2017, or (ii) the dividend, payment or distribution fits within one or more exceptions, including:

- it is less than $20 million in any fiscal year; or
- when combined with all other Restricted Payments (as defined in the indenture governing the Notes) that rely upon this exception, it does not exceed $10 million.

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The Notes provide for events of default including, among other things, nonpayment, breach of covenants and bankruptcy. The Parent's obligations under the Notes are guaranteed by certain of the Parent's subsidiaries and are secured by a first-priority security interest in substantially all of the assets of the Parent and the subsidiary's guarantors. These guarantees and the collateral may be shared, on a pari passu basis, under certain circumstances, with debt incurred. As of June 30, 2018, the Parent was in compliance with all of its covenants.
Interest expense for the three and six months ended June 30, 2018 on the Notes was $3.4 million and $6.8 million, respectively ($300,000 for both the three and six months ended June 30, 2017).
8.75% Senior Secured Notes
On April 12, 2011, the Parent issued in a private offering $200.0 million in aggregate principal amount of Old Notes at an issue price of 100% of the principal amount. Interest on the Old Notes was payable semi-annually on April 15th and October 15th. On April 15, 2014, the Parent retired early $50.0 million of the Old Notes.
The indenture for the Old Notes contained covenants, with which the Company was in compliance during 2017.
On April 15, 2017, the Parent used the net proceeds from the asset sales of OMHHF to finance the redemption of $30.0 million aggregate principal amount of the Old Notes at a redemption price equal to 100% of the principal, plus accrued and unpaid interest.
On June 23, 2017, the Parent used a portion of the net proceeds from the offering of the Notes to redeem in full its Old Notes in the principal amount of $120.0 million and to satisfy and discharge all of its obligations under the indenture governing the Old Notes (the "8.75% Notes Indenture").
In connection with the satisfaction and discharge of the 8.75% Notes Indenture, all of the obligations of the Parent and the subsidiary guarantors (other than certain customary provisions of the 8.75% Notes Indenture, including those relating to the compensation and indemnification of the trustee that expressly survive pursuant to the terms of the 8.75% Notes Indenture) were discharged and the guarantees of the subsidiary guarantors and the liens on the collateral securing the Old Notes were released on June 23, 2017.
Interest expense for the three and six months ended June 30, 2017 on the Old Notes was $3.4 million and $6.7 million, respectively.

10. Share capital
The Company's authorized share capital consists of (a) 50,000,000 shares of Preferred Stock, par value $0.001 per share; (b) 50,000,000 shares of Class A Stock, par value $0.001 per share; and (c) 99,665 shares of Class B Stock, par value $0.001 per share. No Preferred Stock has been issued. 99,665 shares of Class B Stock have been issued and are outstanding.
The Class A Stock and the Class B Stock are equal in all respects except that the Class A Stock is non-voting.
The following table reflects changes in the number of shares of Class A Stock outstanding for the periods indicated:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Class A Stock outstanding, beginning of period	13,141,103	13,182,332	13,139,203	13,261,095
Issued pursuant to shared-based compensation plans	15,250	—	17,150	179,020

Repurchased and canceled pursuant to the stock buy-back	—	(49,557)	—	(307,340)
Class A Stock outstanding, end of period	13,156,353	13,132,775	13,156,353	13,132,775

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Stock buy-back

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

During the three and six months ended June 30, 2018, the Company did not purchase any shares of Class A Stock under this program. As of June 30, 2018, 508,906 shares remained available to be purchased under this program.

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

11. Income taxes

On December 22, 2017, the Federal government enacted Public Law 115-97, commonly referred to as the Tax Cuts and Jobs Act ("TCJA"). The TCJA makes broad and complex changes to the U.S. tax code, including, but not limited to: (1) reducing the U.S. Federal corporate tax rate from 35 percent to 21 percent; (2) requiring companies to pay a one-time transition tax on certain unrepatriated earnings of foreign subsidiaries; (3) generally eliminating U.S. federal income taxes on dividends from foreign subsidiaries; (4) a new provision designed to tax global intangible low-taxed income ("GILTI"), which allows for the possibility of using foreign tax credits ("FTCs") and a deduction of up to 50 percent to offset the income tax liability (subject to some limitations); (5) limitations on the use of FTCs to reduce the U.S. income tax liability; (6) eliminating the corporate alternative minimum tax ("AMT") and changing how existing AMT credits can be realized; (7) creating the base erosion anti-abuse tax, a new minimum tax; (8) limitations on the deductibility of certain executive compensation; (9) creating a new limitation on deductible interest expense; (10) eliminating the deductibility of entertainment expenses; and (11) changing rules related to uses and limitations of net operating loss carryforwards created in tax years beginning after December 31, 2017.

On December 22, 2017, the SEC staff issued SAB 118 which provides guidance on accounting for the tax effects of the TCJA. SAB 118 provides a measurement period that should not extend beyond one year from the TCJA enactment date for companies to complete the accounting under ASC 740. The Company has not completed its accounting for the income tax effects of certain elements of the TCJA. However, the Company was able to make reasonable estimates of the effects of certain elements and recorded a provisional estimate in the condensed consolidated financial statements. The estimated enactment net discrete after-tax benefit incorporates assumptions made based upon the Company's current interpretations of the TCJA, and may change as it receives additional clarification and implementation guidance and as the interpretation of the TCJA evolves over time. The Company is expected to complete its analysis within the measurement period in accordance with SAB 118.

The effective income tax rate from continuing operations for the three months ended June 30, 2018 was 29.3% (tax expense) compared with 16.7% (tax benefit) for the three months ended June 30, 2017 and reflects the Company's estimate of the annual effective tax rate adjusted for certain discrete items. The estimated effective tax rate for the second quarter of 2018 is due to the Federal tax rate of 21% (versus 35%) as a result of the passage of the TCJA in December 2017 offset by foreign income inclusion and larger non-deductible expenses related to items such as entertainment, fringe benefits, regulatory fines and penalties, and limitations around the deductibility of executive compensation under the TCJA.

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12. Contingencies

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

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

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

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

For legal and regulatory proceedings where there is at least a reasonable possibility that a loss or an additional loss may be incurred, the Company estimates a range of aggregate loss in excess of amounts accrued of $0 to $30.0 million. This estimated aggregate range is based upon currently available information for those legal proceedings in which the Company is involved, where the Company can make an estimate for such losses. For certain cases, the Company does not believe that it can make an estimate. The foregoing aggregate estimate is based on various factors, including the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the numerous yet-unresolved issues in many of the proceedings and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate.

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. As of June 30, 2018, the Company had $5.0 million in outstanding ARS purchase commitments related to the settlements with the Regulators. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client related legal settlements and awards to purchase ARS, as of June 30, 2018, the Company purchased and holds (net of redemptions) approximately $92.3 million in ARS from its clients. In addition, the Company is committed to purchase another $7.2 million in ARS from clients through 2020 under legal settlements and awards.

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The Company's purchases of ARS from its clients holding ARS eligible for repurchase will, subject to the terms and conditions of the settlements with the Regulators, continue on a periodic basis. Pursuant to these terms and conditions, the Company is required to conduct a financial review every six months, until the Company has extended Purchase Offers to all Eligible Investors (as defined), to determine whether it has funds available, after giving effect to the financial and regulatory capital constraints applicable to the Company, to extend additional Purchase Offers. The financial review is based on the Company's operating results, regulatory net capital, liquidity, and other ARS purchase commitments outstanding under legal settlements and awards (described below). There are no predetermined quantitative thresholds or formulas used for determining the final agreed upon amount for the Purchase Offers. Upon completion of the financial review, the Company first meets with its primary regulator, FINRA, and then with representatives of the NYAG and other regulators to present the results of the review and to finalize the amount of the next Purchase Offer and discuss offer scenarios in terms of which Eligible Investors should receive a Purchase Offer. Once various Purchase Offer scenarios have been discussed, the regulators, not the Company, make the final determination of which Purchase Offer scenario to implement. The terms of the settlements provide that the amount of ARS to be purchased during any period shall not risk placing the Company in violation of regulatory requirements.
Eligible Investors for future buybacks continued to hold approximately $21.2 million of ARS principal value as of June 30, 2018. It is reasonably possible that some ARS Purchase Offers will need to be extended to Eligible Investors holding ARS prior to redemptions (or tender offers) by issuers of the full amount that remains outstanding. The potential additional losses that may result from entering into ARS purchase commitments with Eligible Investors for future buybacks represent the estimated difference between the principal value and the fair value. It is possible that the Company could sustain a loss of all or substantially all of the principal value of ARS still held by Eligible Investors but such an outcome is highly unlikely. The amount of potential additional losses resulting from entering into these commitments cannot be reasonably estimated due to the uncertainties surrounding the amounts and timing of future buybacks that result from the six-month financial review and the amounts, scope, and timing of future issuer redemptions and tender offers of ARS held by Eligible Investors. The range of potential additional losses related to valuation adjustments is between $0 and the amount of the estimated differential between the principal value and the fair value of ARS held by Eligible Investors for future buybacks that were not yet purchased or committed to be purchased by the Company at any point in time. The range of potential additional losses described here is not included in the estimated range of aggregate loss in excess of amounts accrued for legal and regulatory proceedings described above.
Outside of the settlements with the Regulators, the Company has also reached various legal settlements with clients. As of June 30, 2018, there were no ARS purchase commitments related to legal settlements extending past 2020.
The Company has sought, with limited success, financing from a number of sources to try to find a means for all its clients to find liquidity from their ARS holdings and will continue to do so. There can be no assurance that the Company will be successful in finding a liquidity solution for all its clients' ARS.
Since August 2014, Oppenheimer has been responding to information requests from the SEC regarding the supervision of one of its former financial advisers who was indicted by the United States Attorney's Office for the District of New Jersey in March 2014 on allegations of insider trading. A number of Oppenheimer employees have provided on-the-record testimony in connection with the SEC inquiry. Oppenheimer is continuing to cooperate with

the SEC inquiry.

Since September 2016, Oppenheimer has been responding to information requests from FINRA (including from FINRA's Enforcement Department) regarding the supervision of Oppenheimer's sale of unit investment trusts from 2011 to 2015. The inquiry is part of a larger targeted examination or "sweep" examination involving many other brokerage firms. Oppenheimer is continuing to cooperate with the FINRA inquiry.

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OPPENHEIMER HOLDINGS INC.
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13. Regulatory requirements

The Company's U.S. broker dealer subsidiaries, Oppenheimer and Freedom, are subject to the uniform net capital requirements of the SEC under Rule 15c3-1 (the "Rule") promulgated under the Securities Exchange Act of 1934. Oppenheimer computes its net capital requirements under the alternative method provided for in the Rule which requires that Oppenheimer maintain net capital equal to two percent of aggregate customer-related debit items, as defined in SEC Rule 15c3-3. As of June 30, 2018, the net capital of Oppenheimer as calculated under the Rule was $161.2 million or 15.77% of Oppenheimer's aggregate debit items. This was $140.8 million in excess of the minimum required net capital at that date. Freedom computes its net capital requirement under the basic method provided for in the Rule, which requires that Freedom maintain net capital equal to the greater of $100,000 or 6-2/3% of aggregate indebtedness, as defined. As of June 30, 2018, Freedom had net capital of $5.4 million, which was $5.3 million in excess of the $100,000 required to be maintained at that date.

As of June 30, 2018, the capital required and held under the Capital Requirements Directive ("CRD IV") for Oppenheimer Europe Ltd. was as follows:

- Common Equity Tier 1 ratio 18.20% (required 4.5%);
- Tier 1 Capital ratio 18.20% (required 6.0%); and
- Total Capital ratio 18.76% (required 8.0%).

In December 2017, Oppenheimer Europe Ltd. received approval from the Financial Conduct Authority ("FCA") for a variation of permission to remove the limitation of "matched principal business" from the firm's scope of permitted businesses and become a "Full-Scope Prudential Sourcebook for Investment Firms (IFPRU) €730K" firm which was effective January 2018. In addition to the capital requirement under CRV IV above, Oppenheimer Europe Ltd. is required to maintain a minimum capital of EUR 730,000. In December 2017, the Company contributed additional capital of $7.0 million to Oppenheimer Europe Ltd. in order to facilitate this new permissioning.

As of June 30, 2018, the regulatory capital of Oppenheimer Investments Asia Limited was $2.0 million, which was $1.6 million in excess of the $387,000 required to be maintained on that date. Oppenheimer Investments Asia Limited computes its regulatory capital pursuant to the requirements of the Securities and Futures Commission of Hong Kong.

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14. Segment information

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

The Company's reportable segments are:

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

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

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

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

The table below presents information about the reported revenue and income (loss) before income taxes from continuing operations of the Company for the three and six months ended June 30, 2018 and 2017. Asset information by reportable segment is not reported, since the Company does not produce such information for internal use by the chief operating decision maker.

(Expressed in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue				
Private client [(1)]	$156,553	$140,252	$310,647	$277,641
Asset management [(1)]	17,706	19,304	35,350	37,970
Capital markets	68,206	53,707	129,735	109,610
Corporate/Other	91	2,621	1,354	3,924
Total	$242,556	$215,884	$477,086	$429,145
Income (loss) before income taxes				
Private client [(1)]	$33,513	$28,051	$73,675	$56,813
Asset management [(1)]	3,958	4,081	7,676	7,792
Capital markets	(199)	(10,982)	(6,256)	(23,596)

Corporate/Other	(24,771)	(22,787)	(52,969)	(49,671)
Total	$12,501	$(1,637)	$22,126	$(8,662)

(1) Clients investing in the OAM advisory program are charged fees based on the value of AUM. Advisory fees are allocated 10.0% to the Asset Management and 90.0% to the Private Client segments.

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Revenue, classified by the major geographic areas in which it was earned, for the three and six months ended June 30, 2018 and 2017 was as follows:
(Expressed in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Americas	$234,471	$204,052	$460,083	$407,715
Europe/Middle East	7,222	10,904	14,745	19,364
Asia	863	928	2,258	2,066
Total	$242,556	$215,884	$477,086	$429,145

15. Subsequent events
On July 27, 2018, the Company announced a quarterly dividend in the amount of $0.11 per share, payable on August 24, 2018 to holders of Class A Stock and Class B Stock of record on August 10, 2018.

16. Condensed consolidating financial information
On June 23, 2017, the Parent issued in a private offering $200.0 million aggregate principal amount of the Notes. The Company used a portion of the net proceeds from the offering of the Unregistered Notes to redeem in full its Old Notes. See note 9 for further details.
The Notes are jointly and severally and fully and unconditionally guaranteed on a senior basis by E.A. Viner International Co. and Viner Finance Inc. (together, the "Guarantors"), unless released as described below. Each of the Guarantors is 100% owned by the Parent. The indenture for the Notes contains covenants with restrictions which are discussed in note 9. The following condensed consolidating financial information presents the financial position, results of operations and cash flows of the Parent, the Guarantor subsidiaries, the Non-Guarantor subsidiaries and elimination entries necessary to consolidate the Company.
Each Guarantor will be automatically and unconditionally released and discharged upon: the sale, exchange or transfer of the capital stock of a Guarantor and the Guarantor ceasing to be a direct or indirect subsidiary of the Parent if such sale does not constitute an asset sale under the indenture for the Notes or does not constitute an asset sale effected in compliance with the asset sale and merger covenants of the indenture for the Notes; a Guarantor being dissolved or liquidated; a Guarantor being designated unrestricted in compliance with the applicable provisions of the Notes; or the exercise by the Parent of its legal defeasance option or covenant defeasance option or the discharge of the Parent's obligations under the indenture for the Notes in accordance with the terms of such indenture.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF JUNE 30, 2018

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$668	$ 4,588	$ 33,705	$—	$ 38,961
Deposits with clearing organizations	—	—	56,864	—	56,864
Receivable from brokers, dealers and clearing organizations	—	—	204,527	—	204,527
Receivable from customers, net of allowance for credit losses of $848	—	—	835,708	—	835,708
Income tax receivable	46,865	24,904	—	(68,951)	2,818
Securities purchased under agreements to resell	—	—	6,738	—	6,738
Securities owned, including amounts pledged of $692,286, at fair value	—	1,369	1,019,035	—	1,020,404
Notes receivable, net of accumulated amortization and allowance for uncollectibles of $24,788 and $8,051, respectively	—	—	42,410	—	42,410
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $85,815	—	20,883	7,111	—	27,994
Subordinated loan receivable	—	112,558	—	(112,558)	—
Intangible assets	—	400	31,700	—	32,100
Goodwill	—	—	137,889	—	137,889
Other assets	120	2,580	112,167	—	114,867
Deferred tax assets	122	118	18,641	(18,881)	—
Investment in subsidiaries	643,205	526,774	—	(1,169,979)	—
Intercompany receivables	48,843	49,627	—	(98,470)	—
Total assets	$739,823	$ 743,801	$ 2,506,495	$(1,468,839)	$ 2,521,280
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	$—	$ —	$ 21,632	$—	$ 21,632
Bank call loans	—	—	107,500	—	107,500
Payable to brokers, dealers and clearing organizations	—	—	282,542	—	282,542
Payable to customers	—	—	373,664	—	373,664
Securities sold under agreements to repurchase	—	—	599,151	—	599,151
Securities sold but not yet purchased, at fair value	—	—	162,042	—	162,042

Accrued compensation	—	—	128,985	—	128,985
Accounts payable and other liabilities	125	33,496	60,732	—	94,353
Income tax payable	2,440	22,189	44,322	(68,951)	—
Senior secured notes, net of debt issuance cost of $1,034	198,966	—	—	—	198,966
Subordinated indebtedness	—	—	112,558	(112,558)	—
Deferred tax liabilities	—	—	32,685	(18,881)	13,804
Intercompany payables	—	28,141	70,329	(98,470)	—
Total liabilities	201,531	83,826	1,996,142	(298,860)	1,982,639
Stockholders' equity					
Stockholders' equity attributable to Oppenheimer Holdings Inc.	538,292	659,975	510,004	(1,169,979)	538,292
Non-controlling interest	—	—	349	—	349
Total stockholders' equity	538,292	659,975	510,353	(1,169,979)	538,641
Total liabilities and stockholders' equity	$739,823	$ 743,801	$ 2,506,495	$(1,468,839)	$ 2,521,280

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2017

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$7,442	$ 3,716	$ 36,996	$—	$ 48,154
Deposits with clearing organizations	—	—	42,222	—	42,222
Receivable from brokers, dealers and clearing organizations	—	—	187,115	—	187,115
Receivable from customers, net of allowance for credit losses of $769	—	—	848,226	—	848,226
Income tax receivable	45,998	26,025	—	(69,084)	2,939
Securities purchased under agreements to resell	—	—	658	—	658
Securities owned, including amounts pledged of $655,683, at fair value	—	1,386	925,211	—	926,597
Notes receivable, net of accumulated amortization and allowance for uncollectibles of $24,705 and $7,975, respectively	—	—	40,520	—	40,520
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $82,826	—	20,221	6,966	—	27,187
Subordinated loan receivable	—	112,558	—	(112,558)	—
Intangible assets	—	—	31,700	—	31,700
Goodwill	—	—	137,889	—	137,889
Other assets	133	2,573	142,604	—	145,310
Deferred tax assets	3,502	—	18,463	(21,965)	—
Investment in subsidiaries	622,824	507,747	—	(1,130,571)	—
Intercompany receivables	52,149	83,437	—	(135,586)	—
Total assets	$732,048	$ 757,663	$ 2,418,570	$(1,469,764)	$ 2,438,517
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	$—	$ —	$ 42,412	$—	$ 42,412
Bank call loans	—	—	118,300	—	118,300
Payable to brokers, dealers and clearing organizations	—	—	211,483	—	211,483
Payable to customers	—	—	385,907	—	385,907
Securities sold under agreements to repurchase	—	—	586,478	—	586,478
Securities sold but not yet purchased, at fair value	—	—	94,486	—	94,486

Accrued compensation	—	—	173,116	—	173,116
Accounts payable and other liabilities	7,221	33,994	51,280	—	92,495
Income tax payable	2,440	22,189	44,455	(69,084)	—
Senior secured notes, net of debt issuance costs of $1,163	198,837	—	—	—	198,837
Subordinated indebtedness	—	—	112,558	(112,558)	—
Deferred tax liabilities	—	17	33,040	(21,965)	11,092
Intercompany payables	—	62,163	73,423	(135,586)	—
Total liabilities	208,498	118,363	1,926,938	(339,193)	1,914,606
Stockholders' equity					
Stockholders' equity attributable to Oppenheimer Holdings Inc.	523,550	639,300	491,271	(1,130,571)	523,550
Non-controlling interest	—	—	361	—	361
Total stockholders' equity	523,550	639,300	491,632	(1,130,571)	523,911
Total liabilities and stockholders' equity	$732,048	$ 757,663	$ 2,418,570	$(1,469,764)	$ 2,438,517

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30, 2018

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$ —	$ 82,850	$ —	$ 82,850
Advisory fees	—	—	77,589	(319)	77,270
Investment banking	—	—	27,904	—	27,904
Bank deposit sweep income	—	—	28,853	—	28,853
Interest	3	2,060	13,070	(2,077)	13,056
Principal transactions, net	—	—	6,409	(9)	6,400
Other	—	95	6,222	(94)	6,223
Total revenue	3	2,155	242,897	(2,499)	242,556
EXPENSES					
Compensation and related expenses	522	—	151,349	—	151,871
Communications and technology	49	—	17,948	—	17,997
Occupancy and equipment costs	—	—	14,995	(94)	14,901
Clearing and exchange fees	—	—	5,780	—	5,780
Interest	3,375	—	9,611	(2,077)	10,909
Other	278	849	27,798	(328)	28,597
Total expenses	4,224	849	227,481	(2,499)	230,055
Income (loss) before income taxes	(4,221)	1,306	15,416	—	12,501
Income taxes	(1,065)	369	4,358	—	3,662
Net income (loss) from continuing operations	(3,156)	937	11,058	—	8,839
Equity in earnings of subsidiaries	12,011	11,074	—	(23,085)	—
Net income	8,855	12,011	11,058	(23,085)	8,839
Less net loss attributable to non-controlling interest, net of tax	—	—	(16)	—	(16)
Net income attributable to Oppenheimer Holdings Inc.	8,855	12,011	11,074	(23,085)	8,855
Other comprehensive loss	—	—	(837)	—	(837)
Total comprehensive income	$8,855	$ 12,011	$ 10,237	$ (23,085)	$ 8,018

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

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

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$ —	$ 83,852	$ —	$ 83,852
Advisory fees	—	—	73,126	(343)	72,783
Investment banking	—	—	18,386	(3,000)	15,386
Bank deposit sweep income	—	—	17,720	—	17,720
Interest	—	2,559	12,845	(2,575)	12,829
Principal transactions, net	—	9	5,293	—	5,302
Other	—	90	8,011	(89)	8,012
Total revenue	—	2,658	219,233	(6,007)	215,884
EXPENSES					
Compensation and related expenses	367	—	142,290	—	142,657
Communications and technology	49	—	18,350	—	18,399
Occupancy and equipment costs	—	—	15,250	(89)	15,161
Clearing and exchange fees	—	—	5,916	—	5,916
Interest	3,709	—	5,720	(2,575)	6,854
Other	3,922	195	27,760	(3,343)	28,534
Total expenses	8,047	195	215,286	(6,007)	217,521
Income (loss) before income taxes	(8,047)	2,463	3,947	—	(1,637)
Income taxes	(3,098)	956	1,868	—	(274)
Net income (loss) from continuing operations	(4,949)	1,507	2,079	—	(1,363)
Discontinued operations					
Income from discontinued operations	—	—	89	—	89
Income taxes	—	—	36	—	36
Net income from discontinued operations	—	—	53	—	53
Equity in earnings of subsidiaries	3,630	2,123	—	(5,753)	—
Net income (loss)	(1,319)	3,630	2,132	(5,753)	(1,310)
Less net income attributable to non-controlling interest, net of tax	—	—	9	—	9
Net income (loss) attributable to Oppenheimer Holdings Inc.	(1,319)	3,630	2,123	(5,753)	(1,319)
Other comprehensive income	—	—	780	—	780

Total comprehensive income (loss)	$(1,319)	$ 3,630	$ 2,903	$ (5,753)	$ (539)

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$ —	$ 166,257	$ —	$ 166,257
Advisory fees	—	—	155,463	(645)	154,818
Investment banking	—	—	56,114	—	56,114
Bank deposit sweep income	—	—	54,150	—	54,150
Interest	3	4,120	25,317	(4,157)	25,283
Principal transactions, net	—	—	9,168	(42)	9,126
Other	—	191	11,336	(189)	11,338
Total revenue	3	4,311	477,805	(5,033)	477,086
EXPENSES					
Compensation and related expenses	848	—	304,127	—	304,975
Communications and technology	88	—	36,597	—	36,685
Occupancy and equipment costs	—	—	30,518	(189)	30,329
Clearing and exchange fees	—	—	11,876	—	11,876
Interest	6,750	—	17,279	(4,157)	19,872
Other	665	1,102	50,143	(687)	51,223
Total expenses	8,351	1,102	450,540	(5,033)	454,960
Income (loss) before income taxes	(8,348)	3,209	27,265	—	22,126
Income taxes	(2,105)	633	8,050	—	6,578
Net income (loss) from continuing operations	(6,243)	2,576	19,215	—	15,548
Equity in earnings of subsidiaries	21,803	19,227	—	(41,030)	—
Net income	15,560	21,803	19,215	(41,030)	15,548
Less net loss attributable to non-controlling interest, net of tax	—	—	(12)	—	(12)
Net income attributable to Oppenheimer Holdings Inc.	15,560	21,803	19,227	(41,030)	15,560
Other comprehensive loss	—	—	(979)	—	(979)
Total comprehensive income	$ 15,560	$ 21,803	$ 18,248	$ (41,030)	$ 14,581

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

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

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$ —	$ 170,569	$ —	$ 170,569
Advisory fees	—	—	142,855	(663)	142,192
Investment banking	—	—	36,407	(3,000)	33,407
Bank deposit sweep income	—	—	31,846	—	31,846
Interest	—	5,138	23,407	(5,151)	23,394
Principal transactions, net	—	15	10,660	—	10,675
Other	—	178	17,061	(177)	17,062
Total revenue	—	5,331	432,805	(8,991)	429,145
EXPENSES					
Compensation and related expenses	705	—	285,830	—	286,535
Communications and technology	79	—	36,026	—	36,105
Occupancy and equipment costs	—	—	30,610	(177)	30,433
Clearing and exchange fees	—	—	11,770	—	11,770
Interest	6,990	—	10,371	(5,151)	12,210
Other	4,249	267	59,901	(3,663)	60,754
Total expenses	12,023	267	434,508	(8,991)	437,807
Income (loss) before income taxes	(12,023)	5,064	(1,703)	—	(8,662)
Income taxes	(4,626)	1,876	789	—	(1,961)
Net income (loss) from continuing operations	(7,397)	3,188	(2,492)	—	(6,701)
Discontinued operations					
Income from discontinued operations	—	—	1,065	—	1,065
Income taxes	—	—	425	—	425
Net income from discontinued operations	—	—	640	—	640
Equity in earnings of subsidiaries	1,231	(1,957)	—	726	—
Net income (loss)	(6,166)	1,231	(1,852)	726	(6,061)
Less net income attributable to non-controlling interest, net of tax	—	—	105	—	105
Net income (loss) attributable to Oppenheimer Holdings Inc.	(6,166)	1,231	(1,957)	726	(6,166)
Other comprehensive income	—	—	2,204	—	2,204

Total comprehensive income (loss)	$(6,166)	$ 1,231	$ 247	$ 726	$ (3,962)

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2018

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Cash provided by (used in) operating activities	$(1,417)	$ 1,272	$ 11,456	$ —	$ 11,311
Cash flows from investing activities:					
Purchase of furniture, equipment and leasehold improvements					