IDENTIVE GROUP, INC.
Form S-3/A
May 13, 2014

As filed with the Securities and Exchange Commission on May 13, 2014

Registration No. 333-195702

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

IDENTIVE GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**77-0444317**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization) **Identification Number)**

39300 Civic Center Drive, Suite 160

Fremont, California 94538

(949) 250-8888

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Jason Hart

Chief Executive Officer

Identive Group, Inc.

39300 Civic Center Drive, Suite 160

Fremont, California 94538

(949) 250-8888

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Curtis L. Mo

Torrie C. Nute

DLA Piper LLP (US)

2000 University Avenue

East Palo Alto, CA 94303

Tel.: (650) 833-2000

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. ¨

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. ¨

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

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

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

The sole purpose of this Amendment No. 1 is to file Part II of the Registration Statement to include Exhibit 4.4, Exhibit 4.5, and Exhibit 4.6. Accordingly, this Amendment No. 1 consists only of the facing page, this explanatory note, and Part II of the Registration Statement. The Prospectus is unchanged and has therefore been omitted.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution

The following table sets forth the expenses, other than underwriting discounts and commissions, payable by us in connection with the sale of the securities being registered hereby. All amounts, except the Securities and Exchange Commission (the SEC) registration fee, are estimates:

	Amount to be paid*
SEC registration fee	$ 0
Legal fees and expenses	*
Accounting fees and expenses	*
Trustee s fees and expenses	*
Transfer agent and registrar fees and expenses	*
Stock exchange listing fees	*
Rating agency fees	*
Printing expenses	*
Miscellaneous fees and expenses	*
Total	$ 0

* *Since an indeterminate amount of securities is covered by this registration statement, the expenses in connection with the issuance and distribution of the securities are therefore not currently determinable.*

Item 15. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law, or the DGCL, empowers a Delaware corporation to indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed legal action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person was an officer or director of such corporation, or is or was serving at the request of such corporation as a director, officer, employee, or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit, or proceeding, provided that such officer or director acted in good faith and in a manner he reasonably believed to be in or not opposed to the corporation s best interests, and, for criminal proceedings, had no reasonable cause to believe his conduct was illegal. A Delaware corporation may indemnify officers and directors in an action by or in the right of the corporation under the same conditions, except that no indemnification is permitted without judicial approval if the officer or director is adjudged to be liable to the corporation in the performance of his duty. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him against the expenses which such officer or director actually and reasonably incurred.

Our certificate of incorporation and by-laws provide that we will indemnify, to the fullest extent permitted by the DGCL, each director or officer of our company, whom we refer to as an Indemnitee. Such indemnification includes

payment by us, in advance of the final disposition of a civil or criminal action, suit, or proceeding, of expenses incurred by a director or officer in defending such action, suit, or proceeding upon receipt of any undertaking by or on behalf of such director or officer to repay such payment if it is ultimately determined that he or she is not entitled to be indemnified by us.

Under Delaware law, to the extent that an Indemnitee is successful on the merits in defense of a suit or proceeding brought against him or her by reason of the fact that he or she is or was a director, officer, or agent of our company, or serves or served any other enterprise or organization at the request of our company, we shall indemnify him or her against expenses (including attorneys fees) actually and reasonably incurred in connection with such action.

If unsuccessful in defense of a third-party civil suit or a criminal suit, or if such a suit is settled, an Indemnitee may be indemnified under Delaware law against both (i) expenses, including attorney s fees, and (ii) judgments, fines, and amounts paid in settlement if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of our company, and, with respect to any criminal action, had no reasonable cause to believe his or her conduct was unlawful.

If unsuccessful in defense of a suit brought by or in the right of our company, where the suit is settled, an Indemnitee may be indemnified under Delaware law only against expenses (including attorneys fees) actually and reasonably incurred in the defense or settlement of the suit if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of our company except that if the Indemnitee is adjudged to be liable for negligence or misconduct in the performance of his or her duty to our company, he or she cannot be made whole even for expenses unless a court determines that he or she is fully and reasonably entitled to indemnification for such expenses.

Also under Delaware law, expenses incurred by an officer or director in defending a civil or criminal action, suit, or proceeding may be paid by our company in advance of the final disposition of the suit, action, or proceeding upon receipt of an undertaking by or on behalf of the officer or director to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by our company. We may also advance expenses incurred by other employees and agents of our company upon such terms and conditions, if any, that our board of directors of the registrant deems appropriate.

Reference is made to Undertakings below, for the registrant s undertakings in this registration statement with respect to indemnification of liabilities arising under the Securities Act of 1933, as amended.

Item 16. Exhibits

Exhibit No.	Description
1.1*	Form of Underwriting Agreement.
3.1	Fourth Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to SCM s Registration Statement on Form S-4/A dated November 10, 2009, SEC File No. 333-162618).
3.2	Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation. (Filed previously as an exhibit to the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2010, filed on May 17, 2010 (SEC File No. 000-29440).).
3.3	Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation. (Filed previously as an exhibit to the Company s Current Report on Form 8-K, filed on June 17, 2010 (SEC File No. 000-29440).).
3.4	Certificate of Amendment to Fourth Amended and Restated Certificate of Incorporation (Filed previously as an exhibit to the Company s Current Report on Form 8-K, filed on June 7, 2011 (SEC File No. 000-29440).).
3.5	Amended and Restated By-laws of Registrant. (Filed previously as an exhibit to the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, filed on November 14, 2002 (SEC File No. 000-22689).).
4.1	

	Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to SCM s Amendment No. 1 to Registration Statement on Form S-1, dated August 25, 1997, SEC File No. 333-29073).
4.2*	Specimen Preferred Stock Certificate and Form of Certificate of Designation of Preferred Stock.
4.3*	Form of Debt Securities.
4.4	Form of Common Stock Warrant Agreement and Warrant Certificate.
4.5	Form of Preferred Stock Warrant Agreement and Warrant Certificate.
4.6	Form of Debt Securities Warrant Agreement and Warrant Certificate.
4.7**	Form of Indenture for Debt Securities to be entered into between the registrant and the trustee designated therein.
5.1	Opinion of DLA Piper LLP (US).
12.1*	Computation of Ratio of Earnings to Fixed Charges.
23.1	Consent of Ernst & Young GmbH, independent registered public accounting firm.
23.2	Consent of Deloitte & Touche GmbH, independent registered public accounting firm.
23.3	Consent of DLA Piper LLP (US) (included in Exhibit 5.1).
24.1**	Power of Attorney.
25.1	Statement of Eligibility of Trustee under the Indenture (to be filed separately under the electronic form type 305B2, if applicable).

* To be filed by amendment or as an exhibit to a document incorporated by reference or deemed to be incorporated by reference in this registration statement, including a current report on Form 8-K, in connection with the offering of any securities, as appropriate.

** Previously filed.

Item 17. Undertakings

(a) The undersigned registrant hereby undertakes:
(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20% change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective registration statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

provided, *however*, that paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Securities and Exchange Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement, or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the registration statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering;

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(i) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the registration statement as of the date the filed prospectus was deemed part of and included in the registration statement; and

(ii) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by Section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; *provided*, *however*, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date;

(5) That, for the purpose of determining liability of the registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser;

(6) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan s annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be

deemed to be the initial bona fide offering thereof;

(7) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or

paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue;

(8) That, for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective;

(9) That, for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; and

(10) To file an application for the purpose of determining the eligibility of the trustee to act under subsection (a) of Section 310 of the Trust Indenture Act in accordance with the rules and regulations prescribed by the Securities and Exchange Commission under Section 305(b)2 of the Trust Indenture Act.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused as Amendment No. 1 to its registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Fremont, California, on May 13, 2014.

IDENTIVE GROUP, INC.

By: /s/ JASON HART
Name: Jason Hart
Title: Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, this Amendment No. 1 to registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JASON HART	Chief Executive Officer	May 13, 2014
Jason Hart	(Principal Executive Officer) and Director	
/s/ BRIAN NELSON	Chief Financial Officer and Secretary	May 13, 2014
Brian Nelson	(Principal Financial Officer)	
*	Vice-President Finance and Corporate Controller	May 13, 2014
Kamal Kant Gupta	(Principal Accounting Officer)	
*	Chairman of the Board and Director	May 13, 2014
Steven Humphreys		
*	Director	May 13, 2014
Saad Alazem		
*	Director	May 13, 2014
Gary Kremen		
*	Director	May 13, 2014
Phil Libin		
*	Director	May 13, 2014

Hans Liebler		
*	Director	May 13, 2014
Lawrence W. Midland		
*	Director	May 13, 2014
Daniel S. Wenzel		

*By: /s/ BRIAN NELSON
Name: Brian Nelson
Title: Attorney-in-Fact

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** Previously filed.

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Types

Description

Location

Gain (Loss)

Commodity contracts

U.S. Treasury futures

Principal transactions revenue

$

446

Federal funds futures

Principal transactions revenue

(287

)

Eurodollars futures

Principal transactions revenue

35

Other contracts

TBAs

Principal transactions revenue

12

TBA sale contracts

Other

(5,926

)

ARS purchase commitments

Principal transactions revenue

235

$
(5,485
)

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6. Collateralized transactions

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

The Company obtains short-term borrowings primarily through bank call loans. Bank call loans are generally payable on demand and bear interest at various rates but not exceeding the broker call rate. At September 30, 2014, bank call loans were $135.5 million ($118.2 million at December 31, 2013).

At September 30, 2014, the Company had collateralized loans, collateralized by firm and customer securities with market values of approximately $125.3 million and $148.9 million, respectively, with commercial banks. At September 30, 2014, the Company had approximately $1.3 billion of customer securities under customer margin loans that are available to be pledged, of which the Company has re-pledged approximately $134.2 million under securities loan agreements.

At September 30, 2014, the Company had deposited $360.6 million of customer securities directly with the Options Clearing Corporation to secure obligations and margin requirements under option contracts written by customers.

At September 30, 2014, 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 government and agency securities, are carried at amounts at which the securities subsequently will be resold or reacquired as specified in the respective agreements and include accrued interest. Repurchase and reverse repurchase agreements are presented on a net-by-counterparty basis, when the repurchase and reverse repurchase agreements are executed with the same counterparty, have the same explicit settlement date, are executed in accordance with a master netting arrangement, the securities underlying the repurchase and reverse repurchase agreements exist in "book entry" form and certain other requirements are met.

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The following tables present the gross amounts and the offsetting amounts of reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions as of September 30, 2014 and December 31, 2013:
As of September 30, 2014
(Expressed in thousands)

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet		
				Financial Instruments	Cash Collateral Received	Net Amount
Reverse repurchase agreements	$349,680	$ (99,680)	$250,000	$ (250,000)	$—	$—
Securities borrowed [1]	267,643	—	267,643	(258,001)	—	9,642
Total	$617,323	$ (99,680)	$517,643	$ (508,001)	$—	$9,642

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

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet		
				Financial Instruments	Cash Collateral Pledged	Net Amount
Repurchase agreements	$787,990	$ (99,680)	$688,310	$ (686,659)	$—	$1,651
Securities loaned [2]	164,095	—	164,095	(157,859)	—	6,236
Total	$952,085	$ (99,680)	$852,405	$ (844,518)	$—	$7,887

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

As of December 31, 2013
(Expressed in thousands)

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet		
				Financial Instruments	Cash Collateral Received	Net Amount
Reverse repurchase agreements	$389,439	$ (204,614)	$184,825	$ (183,305)	$—	$1,520
Securities borrowed [1]	274,127	—	274,127	(265,936)	—	8,191
Total	$663,566	$ (204,614)	$458,952	$ (449,241)	$—	$9,711

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

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet		
				Financial Instruments	Cash Collateral Pledged	Net Amount
Repurchase agreements	$962,105	$(204,614)	$757,491	$(753,003)	$—	$4,488
Securities loaned [(2)]	211,621	—	211,621	(204,971)	—	6,650
Total	$1,173,726	$(204,614)	$969,112	$(957,974)	$—	$11,138

(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. The Company has elected the fair value option for these instruments to more accurately reflect market and economic events in its earnings and to mitigate a potential imbalance in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. At September 30, 2014, the fair value of the reverse repurchase agreements and repurchase agreements was $250 million and $nil, respectively.

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). At September 30, 2014, the fair value of securities received as collateral under securities borrowed transactions and reverse repurchase agreements was $259.2 million ($265.3 million at December 31, 2013) and $349.5 million ($385.5 million at December 31, 2013), respectively, of which the Company has sold and re-pledged approximately $21.9 million ($11.0 million at December 31, 2013) under securities loaned transactions and $349.5 million under repurchase agreements ($385.5 million at December 31, 2013).

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 $498.9 million, as presented on the face of the condensed consolidated balance sheet at September 30, 2014 ($586.6 million at December 31, 2013). 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 $127.9 million at September 30, 2014 ($126.8 million at December 31, 2013).

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

As of December 31, 2011, the interest in securities formerly held by one of the Company's funds which utilized Lehman Brothers International (Europe) as a prime broker was transferred to an investment trust. On September 26, 2013, the first interim distribution in the amount of $9.5 million was received by the trust and distributed to its members. During the first quarter of 2014, a subsequent distribution in the amount of $600,000 was received by the trust and distributed to its members. The 2014 payment substantially completes the Company's claim on the Lehman Brothers Estate.

Credit Concentrations

Credit concentrations may arise from trading, investing, underwriting and financing activities and may be impacted by changes in economic, industry or political factors. In the normal course of business, the Company may be exposed to risk in the event customers, counterparties including other brokers and dealers, issuers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations. The Company seeks to mitigate these risks by actively monitoring exposures and obtaining collateral as deemed appropriate. Included in receivable from brokers, dealers and clearing organizations as of September 30, 2014 are receivables from three major U.S. broker-dealers totaling approximately $135.7 million.

Warehouse Facilities

Through OPY Credit Corp., the Company utilized a warehouse facility provided by Canadian Imperial Bank of Commerce ("CIBC") to extend financing commitments to third party borrowers identified by the Company. This warehouse arrangement terminated on July 15, 2012. However, the Company will remain contingently liable for some minimal expenses in relation to this facility related to commitments made by CIBC to borrowers introduced by the Company until such borrowings are repaid by the borrowers or until 2016, whichever is the sooner to occur. All such owed amounts will continue to be reflected in the Company's condensed consolidated statements of income as incurred.

The Company reached an agreement with RBS Citizens, NA ("Citizens") that was announced in July 2012, whereby the Company, through OPY Credit Corp., will introduce lending opportunities to Citizens, which Citizens can elect to accept and in which the Company will participate in the fees earned from any related commitment by Citizens. The Company can also in

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certain circumstances assume a portion of Citizen's syndication and lending risk under such loans, and if it does so it shall be obligated to secure such obligations via a cash deposit determined through risk-based formulas. Neither the Company nor Citizens is obligated to make any specific loan or to commit any minimum amount of lending capacity to the relationship. The agreement also calls for Citizens and the Company at their option to jointly participate in the arrangement of various loan syndications. At September 30, 2014, there were no loans in place.

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 three 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 ("NSCC"), the Fixed Income Clearing Corporation ("FICC"), R.J. O'Brien & Associates (commodities transactions) and others. With respect to its business in reverse repurchase and repurchase agreements, substantially all open contracts at September 30, 2014 are with the FICC. In addition, the Company began clearing its non-U.S. international equities business carried on by Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited through BNP Paribas Securities Services and its non-U.S. international equities business carried on by Oppenheimer through BNP Securities Corp. The clearing corporations have the right to charge the Company for losses that result from a client's failure to fulfill its contractual obligations. Accordingly, the Company has credit exposures with these clearing brokers. The clearing brokers can re-hypothecate the securities held on behalf of the Company. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing brokers, the Company believes there is no maximum amount assignable to this right. At September 30, 2014, 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.

OMHHF, which is engaged in commercial mortgage origination and servicing, has obtained an uncommitted warehouse facility line through PNC Bank ("PNC") under which OMHHF pledges FHA-guaranteed mortgages for a period averaging 15 business days and PNC table funds the principal payment to the mortgagee. OMHHF repays PNC upon the securitization of the mortgage by the GNMA and the delivery of the security to the counter-party for payment pursuant to a contemporaneous sale on the date the mortgage is securitized. At September 30, 2014, OMHHF had $17.5 million outstanding under the warehouse facility line at a variable interest rate of 1 month LIBOR plus a spread. Interest expense for the three and nine months ended September 30, 2014 was $181,000 and $400,000, respectively ($183,000 and $616,000, respectively, for the three and nine months ended September 30, 2013). The Company's ability to originate mortgage loans depends upon its ability to secure and maintain these types of short-term financings on acceptable terms.

As discussed in Note 5, Financial instruments, the Company enters into TBA sale contracts to offset exposures related to commitments to provide funding for FHA loans at OMHHF. In the normal course of business, the Company may be exposed to the risk that counterparties to these TBA sale contracts are unable to fulfill their contractual obligations.

7. 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. The Company reviews factors, including the rights of the equity holders and obligations of equity holders to absorb losses or receive expected residual returns, to determine if the investee is a VIE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company. The consolidation analysis is generally performed qualitatively. This analysis, which requires judgment, is performed at each reporting date. ASU No. 2010-10, "Amendments for Certain Investment Funds," defers the application of the revised

consolidation rules for a reporting entity's interest in an entity if certain conditions are met. An entity that qualifies for the deferral will continue to be assessed for consolidation under the overall guidance on VIEs, before its amendment, and other applicable consolidation guidance. Generally, the Company would consolidate those entities when it absorbs a majority of the expected losses or a majority of the expected residual returns, or both, of the entities.

For entities 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.

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

The Company assesses whether it is the primary beneficiary of the hedge funds and private equity funds in which it holds a variable interest in the form of the total general and limited partner interests held in these funds by all parties. In each instance, the Company has determined that it is not the primary beneficiary and therefore need not consolidate the hedge funds or private equity funds. The subsidiaries' general partnership interests, additional capital commitments, and management fees receivable represent its maximum exposure to loss. The subsidiaries' general partnership interests and management fees receivable are included in other assets on the 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 at September 30, 2014 and December 31, 2013:

(Expressed in thousands)

	September 30, 2014				
	Total	Carrying Value of the Company's Variable Interest		Capital	Maximum Exposure to Loss in
	VIE Assets (1)	Assets (2)	Liabilities	Commitments	Non-consolidated VIEs
Hedge funds	$1,870,079	$3,788	$—	$—	$ 3,788
Private equity funds	76,900	31	—	2	33
Total	$1,946,979	$3,819	$—	$2	$ 3,821

(1) Represents the total assets of the VIEs and does not represent the Company's interests in the VIEs.
(2) Represents the Company's interests in the VIEs and is included in other assets on the condensed consolidated balance sheet.

(Expressed in thousands)

	December 31, 2013				
	Total	Carrying Value of the Company's Variable Interest		Capital	Maximum Exposure to Loss in
	VIE Assets (1)	Assets (2)	Liabilities	Commitments	Non-consolidated VIEs
Hedge funds	$2,282,144	$738	$—	$—	$ 738
Private equity funds	64,475	29	—	5	34
Total	$2,346,619	$767	$—	$5	$ 772

(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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8. Commercial mortgage banking

OMHHF is engaged in the business of originating and servicing FHA insured multifamily and healthcare facility loans and securitizing these loans into GNMA mortgage backed securities. OMHHF also offers mortgage services to developers of commercial properties including apartments, elderly housing and nursing homes that satisfy FHA criteria. OMHHF maintains a mortgage servicing portfolio for which it provides a full array of services, including the collection of mortgage payments from mortgagors which are passed on to the mortgage holders, construction loan management and asset management.

The Company owns an 83.68% controlling interest in OMHHF. The 16.32% non-controlling interest belongs to one related third party who is the President and Chief Executive Officer of OMHHF.

Loan Origination Fees

OMHHF receives origination fees and incurs other direct origination costs when it originates mortgage loans. The origination fees and other direct origination costs are recognized when OMHHF enters into a commitment to sell loans to third parties.
In accordance with HUD guidelines, OMHHF will, with HUD's approval and for certain loan programs, apply the premium income towards the payment of prepayment costs that customers will incur on their prior mortgage. These costs are netted with revenues from premium income that are otherwise earned from these loan refinancings or modifications. Prepayment costs recorded as contra-revenue against premium income were $2.6 million and $4.5 million for the three and nine months ended September 30, 2014, respectively ($2.8 million and $13.5 million for the three and nine months ended September 30, 2013, respectively).

Funding Commitments

OMHHF provides its clients with commitments to fund FHA-insured permanent or constructions loans. Upon providing these commitments to fund, OMHHF enters into TBA sale contracts directly or indirectly with counterparties to offset its exposures related to these funding commitments. See Note 5, Financial instruments, for more information.

Loans Held For Sale

OMHHF advances funds from its own cash reserves in addition to obtaining financing through warehouse facilities in order to fund initial loan closing and subsequent construction loan draws. Prior to the GNMA securitization of a loan, a loan held for sale is recorded on the condensed consolidated balance sheet. To the extent funds were advanced from its own cash reserves, the cash balance is reduced in an equal amount. To the extent funds were financed through the warehouse facility, a liability for the warehouse facility payable is recorded in other liabilities on the condensed consolidated balance sheet. Loans held for sale are recorded at fair value through earnings.

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Escrows Held in Trust

Custodial escrow accounts relating to loans serviced by OMHHF totaled $286.5 million at September 30, 2014 ($251.4 million at December 31, 2013). These amounts are not included on the condensed consolidated balance sheets as such amounts are not OMHHF's assets. Certain cash deposits at financial institutions exceeded the FDIC insured limits. The combined uninsured balance with relation to escrow accounts at September 30, 2014 was approximately $167.7 million. OMHHF places these deposits with major financial institutions where they believe the risk is minimal and that meet or exceed GNMA required credit ratings.

The total unpaid principal balance of loans the Company was servicing for various institutional investors was as follows:

(Expressed in thousands)

	As of September 30, 2014	As of December 31, 2013
Unpaid principal balance of loans	$4,044,961	$3,885,437

Mortgage Servicing Rights ("MSRs")

OMHHF purchases commitments or originates mortgage loans that are sold and securitized into GNMA mortgage backed securities. OMHHF retains the servicing responsibilities for the loans securitized and recognizes either a MSR asset or a MSR liability for that servicing contract. OMHHF receives monthly servicing fees equal to a percentage of the outstanding principal balance of the loans being serviced.

OMHHF estimates the initial fair value of the servicing rights based on the present value of future net servicing income, adjusted for factors such as discount rate and prepayment. See Note 5, Financial instruments, for more information. OMHHF uses the amortization method for subsequent measurement, subject to annual impairment. The Company reviews the capitalized MSRs for impairment quarterly by comparing the aggregate carrying value of the MSR portfolio to the aggregate estimated fair value of the portfolio.

The fair value of our MSRs is subject to market risk. Changes in interest rates influence a variety of assumptions included in the valuation of MSRs, including prepayment speeds, expected returns, the value of escrow balances and other servicing valuation elements. A decline in interest rates generally increases the payment rate of the servicing portfolio and therefore reduces the estimated fair value of MSRs.

The fair value of the servicing rights on the loan portfolio was $41.8 million and $40.1 million at September 30, 2014 and December 31, 2013, respectively (carrying value of $29.5 million and $28.9 million at September 30, 2014 and December 31, 2013, respectively). The following table summarizes the changes in carrying value of MSRs for the nine months ended September 30, 2014 and 2013:
(Expressed in thousands)

	Nine Months Ended September 30,	
	2014	2013
Balance at beginning of period	$28,879	$26,983
Originations [1]	4,252	5,668
Purchases	144	1,108
Disposals [1]	(1,754)	(4,518)
Amortization expense	(2,025)	(1,120)
Balance at end of period	$29,496	$28,121

(1) Includes refinancings.

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Servicing rights are amortized using the straight-line method over 10 years. Future amortization expense is expected to be as follows:
(Expressed in thousands)

	Originated MSRs	Purchased MSRs	Total MSRs
2014	$704	$319	$1,023
2015	2,815	1,275	4,090
2016	2,808	1,275	4,083
2017	2,802	1,268	4,070
2018	2,775	1,255	4,030
Thereafter	9,071	3,129	12,200
	$20,975	$8,521	$29,496

The Company receives fees during the course of servicing the mortgage loans. The fees for the three and nine months ended September 30, 2014 and 2013 were as follows:
(Expressed in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Servicing fees	$1,402	$1,287	$4,122	$3,739
Late fees	6	19	11	94
Ancillary fees	80	170	248	291
Total MSR fees	$1,488	$1,476	$4,381	$4,124

9. Long-term debt

(Expressed in thousands)

Issued	Maturity Date	At September 30, 2014	At December 31, 2013
Senior Secured Notes	4/15/2018	$150,000	$195,000

On April 12, 2011, the Company completed the private placement of $200.0 million in aggregate principal amount of 8.75% Senior Secured Notes due April 15, 2018 (the “Notes”) at par. The interest on the Notes is payable semi-annually on April 15th and October 15th. Proceeds from the private placement were used to retire the Senior Secured Credit Note due 2013 ($22.4 million) and the Subordinated Note due 2014 ($100.0 million) and for other general corporate purposes. The private placement resulted in the fixing of the interest rate over the term of the Notes compared to the variable rate debt that was retired and an extension of the debt maturity dates as described above. The Notes were non-callable until April 2014. The cost to issue the Notes was approximately $4.6 million which was capitalized in the second quarter of 2011 and is amortized over the period of the Notes. At September 30, 2014, the remaining unamortized debt issuance costs were $1.7 million.

The indenture for the Notes contains covenants which place restrictions on the incurrence of indebtedness, the payment of dividends, sale of assets, mergers and acquisitions and the granting of liens. The Notes provide for events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. The Company’s obligations under the Notes are guaranteed, subject to certain limitations, by the same subsidiaries that guaranteed the obligations under the Senior Secured Credit Note and the Subordinated Note which were retired. These guarantees may be shared, on a senior basis, under certain circumstances, with newly incurred debt outstanding in the future. At September 30, 2014, the Company was in compliance with all of its covenants.

On July 12, 2011, the Company's Registration Statement on Form S-4 filed to register the exchange of the Notes for fully registered Notes was declared effective by the SEC. The Exchange Offer was completed in its entirety on August 9, 2011.

On April 4, 2012, the Company's Registration Statement on Form S-3 filed to enable the Company to act as a market maker in connection with the Notes was declared effective by the SEC.

On April 15, 2014, the Company retired early a total of $50.0 million (25%) of the Notes. The Company redeemed $45.0 million aggregate principal amount of the outstanding Notes at a redemption price equal to 106.563% of the principal amount of the Notes, plus accrued and unpaid interest. In addition, the Company retired the $5.0 million aggregate principal amount of

the Notes that it held. Upon completion of the redemption and retirement on April 15, 2014, $150.0 million aggregate principal amount of the Notes remains outstanding. The retirement of the Notes will reduce the Company's interest costs by $3.9 million annually beginning in the second quarter of 2014.

Interest expense for the three and nine months ended September 30, 2014 on the Notes was $3.3 million and $11.0 million, respectively ($4.3 million and $12.8 million, respectively, for the three and nine months ended September 30, 2013).

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 non-voting common stock, par value $0.001 per share; and (c) 99,680 shares of Class B voting common stock, par value $0.001 per share. No Preferred Stock has been issued. 99,680 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Class A Stock outstanding, beginning of period	13,519,126	13,496,783	13,377,967	13,508,318
Issued pursuant to shared-based compensation plans	11,562	65,227	152,721	65,227
Repurchased and canceled pursuant to the stock buy-back	—	(119,251)	—	(130,786)
Class A Stock outstanding, end of period	13,530,688	13,442,759	13,530,688	13,442,759

Stock buy-back

On October 7, 2011, the Company announced its intention to purchase up to 675,000 shares of its Class A Stock in compliance with the rules and regulations of the New York Stock Exchange and the SEC and the terms of its outstanding long-term debt. The 675,000 shares represented approximately 5% of its then 13,572,265 issued and outstanding shares of Class A Stock. Any such purchases will be made by the Company in the open market at the prevailing open market price using cash on hand. All shares purchased will be cancelled. The repurchase program is expected to continue indefinitely. The repurchase program does not obligate the Company to repurchase any dollar amount or number of shares of Class A Stock. Depending on market conditions and other factors, these repurchases may be commenced or suspended from time to time without prior notice.

In the nine months ended September 30, 2014, the Company did not buy back any stock under this program. As of September 30, 2014, 352,823 shares were available to be purchased under this program.

11. Contingencies

Many aspects of the Company's business involve substantial risks of liability. In the normal course of business, the Company has been named as defendant or co-defendant in various legal actions, including arbitrations, class actions, and other litigation, creating substantial exposure. Certain of the actual or threatened legal matters include claims for substantial compensatory and/or punitive damages or claims for indeterminate amounts of damages. These proceedings arise primarily from securities brokerage, asset management and investment banking activities. The Company is also involved, from time to time, in other reviews, investigations and proceedings (both formal and

informal) by governmental and self-regulatory agencies regarding the Company's business which may result in adverse judgments, settlements, fines, penalties, injunctions or other relief. The investigations include, among other things, inquiries from the SEC, the Financial Industry Regulatory Authority ("FINRA") and various state regulators. The Company is named as a respondent in a number of arbitrations by its current or former clients as well as lawsuits related to its sale of ARS.

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 at the date of the condensed consolidated financial statements and the Company can reasonably estimate the amount of that loss. In many proceedings, however, it is inherently difficult to determine whether any loss is probable or even possible or to estimate the amount of any loss. In addition, even where loss is possible or an exposure to loss exists in excess of the liability already accrued with respect to a previously recognized loss contingency, it is often not possible to reasonably estimate the size of the possible loss or range of loss or possible additional losses or range of additional losses.

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

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

For legal and regulatory proceedings where there is at least a reasonable possibility that a loss or an additional loss may be incurred, the Company estimates a range of aggregate loss in excess of amounts accrued of $0 to approximately $33 million. This estimated aggregate range is based upon currently available information for those legal proceedings in which the Company is involved, where an estimate for such losses can be made. For certain cases, the Company does not believe that an estimate can currently be made. The foregoing estimate is based on various factors, including the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the numerous yet-unresolved issues in many of the proceedings and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Company’s estimate will change from time to time, and actual losses may be more than the current estimate.

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer’s marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client related legal settlements and awards to purchase ARS, as of September 30, 2014, the Company purchased and holds (net of redemptions) approximately $94.8 million in ARS from its clients. In addition, the Company is committed to purchase another $13.1 million in ARS from clients through 2016 under legal settlements and awards.

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

amount of ARS to be purchased during any period shall not risk placing the Company in violation of regulatory requirements.

As of September 30, 2014, the Company did not have any outstanding ARS purchase commitments related to the settlements with the Regulators. Eligible Investors for future buybacks continued to hold approximately $106.1 million of principal value of ARS as of September 30, 2014. It is reasonably possible that some ARS Purchase Offers will need to be extended to Eligible Investors holding ARS prior to redemptions (or tender offers) by issuers of the full amount that remains outstanding. The potential additional losses that may result from entering into ARS purchase commitments with Eligible Investors for future buybacks represents the estimated difference between the principal value and the fair value. It is possible that the Company could sustain a loss of all or substantially all of the principal value of ARS still held by Eligible Investors but such an outcome is highly unlikely. The amount of potential additional losses resulting from entering into these commitments cannot be reasonably estimated due to the uncertainties surrounding the amounts and timing of future buybacks that result from the six-month financial review and the amounts, scope, and timing of future issuer redemptions and tender offers of ARS held by Eligible Investors. The range of potential additional losses related to valuation adjustments is between $0 and the amount of the

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estimated differential between the principal value and the fair value of ARS held by Eligible Investors for future buybacks that were not yet purchased or committed to be purchased by the Company at any point in time. The range of potential additional losses described here is not included in the estimated range of aggregate loss in excess of amounts accrued for legal and regulatory proceedings described above.

Outside of the settlements with the Regulators, the Company has also reached various legal settlements with clients and received unfavorable legal awards requiring it to purchase ARS. The terms and conditions including the ARS amounts committed to be purchased under legal settlements and awards are based on the specific facts and circumstances of each legal proceeding. In most instances, the purchase commitments are in increments and extend over a period of time. At September 30, 2014, no ARS purchase commitments related to legal settlements extended past 2016. To the extent the Company receives an unfavorable award, the Company usually must purchase the ARS provided for by the award within 30 days of the rendering of the award.

The Company is also named as a respondent in a number of arbitrations by its current or former clients as well as lawsuits related to its sale of ARS. If the ARS market remains frozen, the Company may likely be further subject to claims by its clients. There can be no guarantee that the Company will be successful in defending any or all of the current actions against it or any subsequent actions filed in the future. Any such failure could have a material adverse effect on the results of operations and financial condition of the Company including its cash position.

The Company has sought, with limited success, financing from a number of sources to try to find a means for all its clients to find liquidity from their ARS holdings and will continue to do so. There can be no assurance that the Company will be successful in finding a liquidity solution for all its clients' ARS.

On June 23, 2011, Oppenheimer received notice of an investigation by the SEC pursuant to which the SEC requested information from the Company regarding the sale of a number of low-priced securities effected primarily through several former Oppenheimer financial advisers and purchases and sales of low-priced securities through one Oppenheimer customer account. The issues and facts surrounding this investigation are, in the Company's view, largely duplicative of a matter that was settled by Oppenheimer with FINRA in August of 2013. On July 16, 2013, Oppenheimer received a "Wells Notice" from the SEC requesting that Oppenheimer make a written submission to the SEC to explain why Oppenheimer should not be charged with violations of the Securities Exchange Act of 1934 (the "Exchange Act") in relation to its sales of low-priced securities on behalf of former customers of the firm. The Company submitted a Wells response on August 19, 2013.

In October 2010, Oppenheimer received notice of an investigation by the SEC related to the trading of low-priced securities by one former financial advisor in one of Oppenheimer's branch offices and the supervision related thereto. Both branch and headquarters personnel, including members of senior management, have provided on-the-record testimony in connection with the investigation.

The Company believes that the SEC may file one or more enforcement actions against Oppenheimer as well as certain members of management in connection with the investigations described in the two immediately preceding paragraphs.

In February, 2014, Oppenheimer received notice of an investigation by, and a request for information from, a division of the United States Department of the Treasury ("FinCEN") relating to potential violations of the Bank Secrecy Act and the regulations promulgated thereunder related primarily to, in the Company's view, the FINRA and SEC matters discussed immediately above. Oppenheimer provided information it believes is responsive to the FinCEN request for information in March of 2014. The Company believes that FinCEN may file an action or issue an assessment against the Company related to their investigation.

The Company continues to cooperate with and has had discussions about a potential resolution of these matters with the SEC and FinCEN. However, there can be no assurance that these discussions will lead to a resolution of any or all of these matters and, as noted above, the SEC and FinCEN could file one or more enforcement actions against the Company. The filing of one or more enforcement actions could have a material adverse effect on our financial condition and results of operations and could cause significant reputational harm to us which, in turn, could materially adversely impact our business prospects.

The Company recorded a $19.7 million charge against earnings related to the aforementioned matters during the six-month period ended June 30, 2014. As of September 30, 2014, the Company believes, subject to the paragraph immediately above, it is fully reserved against potential liability arising out of the SEC and FinCEN matters.

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12. Regulatory requirements

The Company's U.S. broker dealer subsidiaries, Oppenheimer and Freedom, are subject to the uniform net capital requirements of the SEC under Rule 15c3-1 (the "Rule") promulgated under the Exchange Act. Oppenheimer computes its net capital requirements under the alternative method provided for in the Rule which requires that Oppenheimer maintain net capital equal to two percent of aggregate customer-related debit items, as defined in SEC Rule 15c3-3. At September 30, 2014, the net capital of Oppenheimer as calculated under the Rule was $157.9 million or 11.8% of Oppenheimer's aggregate debit items. This was $131.2 million in excess of the minimum required net capital at that date. Freedom computes its net capital requirement under the basic method provided for in the Rule, which requires that Freedom maintain net capital equal to the greater of $250,000 or 6-2/3% of aggregate indebtedness, as defined. At September 30, 2014, Freedom had net capital of $4.8 million, which was $4.5 million in excess of the $250,000 required to be maintained at that date.

The Company has computed a reserve requirement for the proprietary accounts of brokers as of September 30, 2014. The Company had no deposit requirements as of September 30, 2014.

At September 30, 2014, Freedom had $18.3 million in cash segregated under Federal and other regulations.

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

- Common Equity Tier 1 ratio 8.93% (required 4.5%);
- Tier 1 Capital ratio 8.93% (required 6.0%); and
- Total Capital ratio 10.38% (required 8.0%).

At September 30, 2014, the regulatory capital of Oppenheimer Investments Asia Limited was $3.1 million, which was $2.7 million in excess of the $386,000 required to be maintained on that date. Oppenheimer Investments Asia Limited computes its regulatory capital pursuant to the requirements of the Securities and Futures Commission in Hong Kong.

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13. Related party transactions

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

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 reportable segments and allocates resources to them based upon profitability.

Due to the growth in the Company’s commercial loan origination and servicing business operated out of OMHHF, the Company has presented separately the results of this business in a reportable segment titled “Commercial Mortgage Banking.” This reportable segment engages in business activities in which it earns revenues and incurs expenses that are distinct from the Company’s other reportable segments, its operating results are reviewed by the Company’s Chief Executive Officer who makes decisions about resources to be allocated to this business, and separate financial information is available for the legal entity from which it operates. The Commercial Mortgage Banking reportable segment not only meets these qualitative criteria but, as a result of its recent growth, also meets one of the quantitative thresholds for segment reporting. Previously reported segment information has been revised to reflect this new reportable segment.

The Company’s reportable segments are:

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

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

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

Commercial Mortgage Banking—includes loan origination and servicing fees from the Company’s subsidiary, OMHHF. The Company has added this business segment due to the significant growth and profitability of this line of business over the last several quarters. In prior periods, this business had been part of the Capital Markets business 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 include, for example, compensation and benefits, rent expense, information technology, legal and professional.

The table below presents information about the reported revenue and net income before taxes of the Company for the three and nine months ended September 30, 2014 and 2013. 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.

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(Expressed in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenue				
Private client *	$142,606	$144,316	$435,770	$430,963
Asset management *	24,801	21,488	74,443	64,450
Capital markets	71,226	68,460	221,324	201,495
Commercial mortgage banking	6,349	9,314	18,179	26,857
Corporate/Other	(303)	(202)	(180)	2,587
Total	$244,679	$243,376	$749,536	$726,352
Income (loss) before income taxes				
Private client *	$18,898	$15,088	$36,766	$48,113
Asset management *	8,264	6,387	24,300	20,332
Capital markets	5,699	4,301	23,965	8,806
Commercial mortgage banking	1,815	2,823	7,269	7,977
Corporate/Other	(23,780)	(20,436)	(76,159)	(64,678)
Total	$10,896	$8,163	$16,141	$20,550

* Asset management fees are allocated 22.5% to the Asset Management and 77.5% to the Private Client segments.

Revenue, classified by the major geographic areas in which it was earned for the three and nine months ended September 30, 2014 and 2013, was as follows:

(Expressed in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
United States	$233,846	$231,777	$710,198	$693,251
Europe/Middle East	9,106	9,210	32,983	26,930
Asia	1,256	1,309	5,024	2,843
South America	471	1,080	1,331	3,328
Total	$244,679	$243,376	$749,536	$726,352

15. Subsequent events

On October 31, 2014, the Company announced a quarterly dividend in the amount of $0.11 per share, payable on November 28, 2014 to holders of Class A Stock and Class B Stock of record on November 14, 2014.

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16. Condensed consolidating financial information

The Company's Notes are jointly and severally and fully and unconditionally guaranteed on a senior basis by E.A. Viner International Co. and Viner Finance Inc. (together, the "Guarantors"), unless released as described below. Each of the Guarantors is 100% owned by the Company. The indenture for the Notes contains covenants with restrictions which are discussed in Note 9. The following consolidating financial statements present the financial position, results of operations and cash flows of the Company (referred to as "Parent" for purposes of this note only), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and elimination entries necessary to consolidate the Company. Investments in subsidiaries are accounted for using the equity method for purposes of the consolidated presentation.

Each Guarantor will be automatically and unconditionally released and discharged upon: the sale, exchange or transfer of the capital stock of a Guarantor and the Guarantor ceasing to be a direct or indirect subsidiary of the Company if such sale does not constitute an asset sale under the indenture for the Notes or does not constitute an asset sale effected in compliance with the asset sale and merger covenants of the debenture 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 Company of its legal defeasance option or covenant defeasance option or the discharge of the Company'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 SEPTEMBER 30, 2014

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$1,162	$5,123	$ 71,657	$—	$77,942
Cash and securities segregated for regulatory and other purposes	—	—	19,106	—	19,106
Deposits with clearing organizations	—	—	31,611	—	31,611
Receivable from brokers, dealers and clearing organizations	—	—	380,943	—	380,943
Receivable from customers, net of allowance for credit losses of $2,451	—	—	883,133	—	883,133
Income tax receivable	26,600	27,371	(693)	(45,477)	7,801
Securities purchased under agreements to resell	—	—	250,000	—	250,000
Securities owned, including amounts pledged of $498,928, at fair value	—	5,694	801,078	—	806,772
Subordinated loan receivable	—	112,558	—	(112,558)	—
Notes receivable, net	—	—	37,673	—	37,673
Office facilities, net	—	20,310	10,208	—	30,518
Deferred tax assets, net	21	309	26,102	(26,432)	—
Intangible assets	—	—	31,700	—	31,700
Goodwill	—	—	137,889	—	137,889
Loans held for sale	—	—	20,095	—	20,095
Mortgage servicing rights	—	—	29,496	—	29,496
Other assets	1,839	27,077	102,148	—	131,064
Investment in subsidiaries	561,539	881,012	(179,607)	(1,262,944)	—
Intercompany receivables	93,926	(19,048)	(12,175)	(62,703)	—
Total assets	$685,087	$1,060,406	$ 2,640,364	$(1,510,114)	$2,875,743
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	$—	$—	$ 24,316	$—	$24,316
Bank call loans	—	—	135,500	—	135,500
Payable to brokers, dealers and clearing organizations	—	—	204,950	—	204,950
Payable to customers	—	—	689,363	—	689,363
Securities sold under agreements to repurchase	—	—	688,310	—	688,310
Securities sold, but not yet purchased, at fair value	—	—	128,262	—	128,262
Accrued compensation	—	—	138,782	—	138,782
Accounts payable and other liabilities	6,086	58,392	105,697	—	170,175
Income tax payable	2,440	22,189	20,848	(45,477)	—
Senior secured notes	150,000	—	—	—	150,000
Subordinated indebtedness	—	—	112,558	(112,558)	—
Deferred tax liabilities, net	—	12	39,939	(26,432)	13,519
Intercompany payables	—	62,703	—	(62,703)	—
Total liabilities	158,526	143,296	2,288,525	(247,170)	2,343,177

Stockholders’ equity					
Stockholders’ equity attributable to Oppenheimer Holdings Inc.	526,561	917,110	345,834	(1,262,944)	526,561
Non-controlling interest	—	—	6,005	—	6,005
Total stockholders’ equity	526,561	917,110	351,839	(1,262,944)	532,566
Total liabilities and stockholders’ equity	$685,087	$1,060,406	$ 2,640,364	$(1,510,114)	$2,875,743

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2013

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$448	$30,901	$ 66,945	$—	$98,294
Cash and securities segregated for regulatory and other purposes	—	—	36,323	—	36,323
Deposits with clearing organizations	—	—	23,679	—	23,679
Receivable from brokers, dealers and clearing organizations	—	—	364,873	—	364,873
Receivable from customers, net of allowance for credit losses of $2,423	—	—	868,869	—	868,869
Income tax receivable	19,494	27,589	(817)	(39,704)	6,562
Securities purchased under agreements to resell	—	—	184,825	—	184,825
Securities owned, including amounts pledged of $586,625, at fair value	—	2,225	853,863	—	856,088
Subordinated loan receivable	—	112,558	—	(112,558)	—
Notes receivable, net	—	—	40,751	—	40,751
Office facilities, net	—	21,250	11,689	—	32,939
Deferred tax assets, net	678	309	29,496	(30,483)	—
Intangible assets	—	—	31,700	—	31,700
Goodwill	—	—	137,889	—	137,889
Loans held for sale	—	—	75,989	—	75,989
Mortgage servicing rights	—	—	28,879	—	28,879
Other assets	2,797	27,113	135,150	—	165,060
Investment in subsidiaries	546,755	910,230	(182,625)	(1,274,360)	—
Intercompany receivables	153,528	(68,920)	(20,107)	(64,501)	—
Total assets	$723,700	$1,063,255	$ 2,687,371	$(1,521,606)	$2,952,720
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	$—	$—	$ 48,198	$—	$48,198
Bank call loans	—	—	118,200	—	118,200
Payable to brokers, dealers and clearing organizations	—	—	223,315	—	223,315
Payable to customers	—	—	626,564	—	626,564
Securities sold under agreements to repurchase	—	—	757,491	—	757,491
Securities sold, but not yet purchased, at fair value	—	—	76,314	—	76,314
Accrued compensation	—	—	180,119	—	180,119
Accounts payable and other liabilities	3,742	59,289	129,609	(88)	192,552
Income tax payable	2,440	22,189	15,075	(39,704)	—
Senior secured notes	195,000	—	—	—	195,000
Subordinated indebtedness	—	—	112,558	(112,558)	—
Deferred tax liabilities, net	—	—	37,579	(30,483)	7,096
Intercompany payables	—	64,501	—	(64,501)	—
Total liabilities	201,182	145,979	2,325,022	(247,334)	2,424,849

Stockholders’ equity					
Stockholders’ equity attributable to Oppenheimer Holdings Inc.	522,518	917,276	356,996	(1,274,272)	522,518
Non-controlling interest	—	—	5,353	—	5,353
Total stockholders’ equity	522,518	917,276	362,349	(1,274,272)	527,871
Total liabilities and stockholders’ equity	$723,700	$1,063,255	$ 2,687,371	$(1,521,606)	$2,952,720

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$—	$ 110,862	$—	$110,862
Advisory fees	—	—	71,278	(321)	70,957
Investment banking	—	—	33,841	—	33,841
Interest	—	2,580	12,434	(2,565)	12,449
Principal transactions, net	—	(161)	4,433	—	4,272
Other	—	85	12,279	(66)	12,298
Total revenue	—	2,504	245,127	(2,952)	244,679
EXPENSES					
Compensation and related expenses	207	—	161,127	—	161,334
Communications and technology	37	—	15,954	—	15,991
Occupancy and equipment costs	—	—	15,867	(66)	15,801
Clearing and exchange fees	—	—	5,969	—	5,969
Interest	3,281	8	3,403	(2,565)	4,127
Other	235	17	30,630	(321)	30,561
Total expenses	3,760	25	232,950	(2,952)	233,783
Income (loss) before income taxes	(3,760)	2,479	12,177	—	10,896
Income tax provision (benefit)	(1,816)	1,326	6,761	—	6,271
Net income (loss) for the period	(1,944)	1,153	5,416	—	4,625
Less net income attributable to non-controlling interest, net of tax	—	—	155	—	155
Equity in subsidiaries	6,415	—	—	(6,415)	—
Net income attributable to Oppenheimer Holdings Inc.	4,471	1,153	5,261	(6,415)	4,470
Other comprehensive income	—	—	(1,608)	—	(1,608)
Total comprehensive income	$4,471	$1,153	$ 3,653	$(6,415)	$2,862

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$—	$ 349,062	$—	$349,062
Advisory fees	—	—	210,594	(1,002)	209,592
Investment banking	—	—	94,164	—	94,164
Interest	—	7,901	37,347	(7,861)	37,387
Principal transactions, net	—	10	24,873	—	24,883
Other	—	375	34,419	(346)	34,448
Total revenue	—	8,286	750,459	(9,209)	749,536
EXPENSES					
Compensation and related expenses	822	—	492,313	—	493,135
Communications and technology	111	—	50,150	—	50,261
Occupancy and equipment costs	—	—	47,451	(346)	47,105
Clearing and exchange fees	—	—	17,885	—	17,885
Interest	11,120	8	10,436	(7,861)	13,703
Other	4,396	30	107,882	(1,002)	111,306
Total expenses	16,449	38	726,117	(9,209)	733,395
Income (loss) before income taxes	(16,449)	8,248	24,342	—	16,141
Income tax provision (benefit)	(6,450)	2,457	13,342	—	9,349
Net income (loss) for the period	(9,999)	5,791	11,000	—	6,792
Less net income attributable to non-controlling interest, net of tax	—	—	652	—	652
Equity in subsidiaries	16,139	—	—	(16,139)	—
Net income attributable to Oppenheimer Holdings Inc.	6,140	5,791	10,348	(16,139)	6,140
Other comprehensive income	—	—	(1,356)	—	(1,356)
Total comprehensive income	$6,140	$5,791	$ 8,992	$(16,139)	$4,784

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2013

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$—	$ 120,252	$—	$120,252
Advisory fees	—	—	60,650	(533)	60,117
Investment banking	—	—	21,362	—	21,362
Principal transactions, net	—	26	10,321	—	10,347
Interest	—	2,777	14,805	(3,143)	14,439
Other	—	42	16,859	(42)	16,859
Total revenue	—	2,845	244,249	(3,718)	243,376
EXPENSES					
Compensation and related expenses	207	—	160,874	—	161,081
Occupancy and equipment costs	—	—	16,447	(42)	16,405
Communications and technology	23	—	16,976	—	16,999
Interest	4,375	—	4,932	(3,143)	6,164
Clearing and exchange fees	—	—	6,099	—	6,099
Other	285	4	28,709	(533)	28,465
Total expenses	4,890	4	234,037	(3,718)	235,213
Income (loss) before income taxes	(4,890)	2,841	10,212	—	8,163
Income tax provision (benefit)	(1,792)	1,808	2,639	—	2,655
Net income (loss) for the period	(3,098)	1,033	7,573	—	5,508
Less net income attributable to non-controlling interest, net of tax	—	—	271	—	271
Equity in subsidiaries	8,335	—	—	(8,335)	—
Net income attributable to Oppenheimer Holdings Inc.	5,237	1,033	7,302	(8,335)	5,237
Other comprehensive income	—	—	656	—	656
Total comprehensive income	$5,237	$1,033	$ 7,958	$(8,335)	$5,893

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$—	$ 364,272	$—	$364,272
Advisory fees	—	—	179,137	(1,720)	177,417
Investment banking	—	—	62,377	—	62,377
Principal transactions, net	—	38	33,558	—	33,596
Interest	5	8,370	40,119	(8,578)	39,916
Other	—	126	48,774	(126)	48,774
Total revenue	5	8,534	728,237	(10,424)	726,352
EXPENSES					
Compensation and related expenses	902	—	479,394	—	480,296
Occupancy and equipment costs	—	—	51,237	(126)	51,111
Communications and technology	81	—	48,800	—	48,881
Interest	13,125	—	15,622	(8,578)	20,169
Clearing and exchange fees	—	—	18,434	—	18,434
Other	1,045	23	87,563	(1,720)	86,911
Total expenses	15,153	23	701,050	(10,424)	705,802
Income (loss) before income taxes	(15,148)	8,511	27,187	—	20,550
Income tax provision (benefit)	(5,723)	3,702	10,104	—	8,083
Net income (loss) for the period	(9,425)	4,809	17,083	—	12,467
Less net income attributable to non-controlling interest, net of tax	—	—	719	—	719
Equity in subsidiaries	21,173	—	—	(21,173)	—
Net income attributable to Oppenheimer Holdings Inc.	11,748	4,809	16,364	(21,173)	11,748
Other comprehensive income (loss)	(3)	—	1,159	—	1,156
Total comprehensive income	$11,745	$4,809	$ 17,523	$(21,173)	$12,904

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operations:					
Net income (loss) for the period	$(9,999)	$5,791	$ 11,000	$—	$6,792
Adjustments to reconcile net income (loss) to net cash used in operating activities:					
Depreciation and amortization of office facilities and leasehold improvements	—	—	5,787	—	5,787
Deferred income taxes	—	—	6,423	—	6,423
Amortization of notes receivable	—	—	12,393	—	12,393
Amortization of debt issuance costs	408	—	—	—	408
Write-off of debt issuance costs	588	—	—	—	588
Amortization of mortgage servicing rights	—	—	2,025	—	2,025
Provision for credit losses	—	—	28	—	28
Share-based compensation expense	291	—	3,391	—	3,682
Payment of taxes due for share-based awards	(2,074)	—	—	—	(2,074)
Changes in operating assets and liabilities	59,523	(31,569)	(50,269)	—	(22,315)
Cash provided by (used in) continuing operations	48,737	(25,778)	(9,222)	—	13,737
Cash flows from investing activities					
Purchase of office facilities	—	—	(3,366)	—	(3,366)
Cash used in investing activities	—	—	(3,366)	—	(3,366)
Cash flows from financing activities					
Cash dividends paid on Class A non-voting and Class B voting common stock	(4,483)	—	—	—	(4,483)
Issuance of Class A non-voting common stock	185	—	—	—	185
Tax benefit from share-based awards	1,275	—	—	—	1,275
Redemption of senior secured notes	(45,000)	—	—	—	(45,000)
Other financing activities	—	—	17,300	—	17,300
Cash flow provided by (used in) financing activities	(48,023)	—	17,300	—	(30,723)
Net increase (decrease) in cash and cash equivalents	714	(25,778)	4,712	—	(20,352)
Cash and cash equivalents, beginning of the period	448	30,901	66,945	—	98,294
Cash and cash equivalents, end of the period	$1,162	$5,123	$ 71,657	$—	$77,942

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operations:					
Net income (loss) for the period	$(9,425)	$4,809	$ 17,083	$—	$12,467
Adjustments to reconcile net income (loss) to net cash used in operating activities:					
Depreciation and amortization of office facilities and leasehold improvements	—	—	7,434	—	7,434
Deferred income taxes	—	—	13,862	—	13,862
Amortization of notes receivable	—	—	14,086	—	14,086
Amortization of debt issuance costs	479	—	—	—	479
Amortization of mortgage servicing rights	—	—	1,120	—	1,120
Provision for (reversal of) credit losses	—	—	178	—	178
Share-based compensation expense	—	—	3,966	—	3,966
Changes in operating assets and liabilities	15,958	(13,026)	(33,576)	—	(30,644)
Cash provided by (used in) continuing operations	7,012	(8,217)	24,153	—	22,948
Cash flows from investing activities					
Purchase of office facilities	—	—	(12,642)	—	(12,642)
Cash used in investing activities	—	—	(12,642)	—	(12,642)
Cash flows from financing activities					
Cash dividends paid on Class A non-voting and Class B voting common stock	(4,494)	—	—	—	(4,494)
Issuance of Class A non-voting common stock	85	—	—	—	85
Repurchase of Class A non-voting common stock	(2,314)	—	—	—	(2,314)
Tax deficiency from share-based awards	(92)	—	—	—	(92)
Other financing activities	—	—	(33,500)	—	(33,500)
Cash flow provided by (used in) financing activities	(6,815)	—	(33,500)	—	(40,315)
Net increase (decrease) in cash and cash equivalents	197	(8,217)	(21,989)	—	(30,009)
Cash and cash equivalents, beginning of the period	35	40,658	94,673	—	135,366
Cash and cash equivalents, end of the period	$232	$32,441	$ 72,684	$—	$105,357

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company’s condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Reference is also made to the Company’s consolidated financial statements and notes thereto found in its Annual Report on Form 10-K for the year ended December 31, 2013.

The Company engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, trust services and investment advisory and asset management services. Its principal subsidiaries are Oppenheimer & Co. Inc. (“Oppenheimer”) and Oppenheimer Asset Management Inc. (“OAM”). As of September 30, 2014, the Company provided its services from 94 offices in 25 states located throughout the United States, offices in Tel Aviv, Israel, Hong Kong and Beijing, China, London, England, St. Helier, Isle of Jersey and Geneva, Switzerland. Client assets administered by the Company as of September 30, 2014 totaled approximately $88.3 billion. The Company provides investment advisory services through OAM and Oppenheimer Investment Management Inc. (“OIM”) and Oppenheimer’s Fahnestock Asset Management, Alpha and OMEGA Group divisions. At September 30, 2014, client assets under management totaled approximately $26.0 billion. The Company provides trust services and products through Oppenheimer Trust Company of Delaware. The Company provides discount brokerage services through Freedom Investments, Inc. (“Freedom”) and through Freedom's BUYandHOLD division. Through OPY Credit Corp., the Company offers syndication as well as trading of issued syndicated corporate loans. Oppenheimer Multifamily Housing & Healthcare Finance, Inc. (“OMHHF”) is engaged in FHA insured commercial mortgage origination and servicing. At September 30, 2014, the Company employed 3,480 employees (3,405 full-time and 75 part-time), of whom approximately 1,353 were financial advisers.

Critical Accounting Estimates

The Company’s accounting policies are essential to understanding and interpreting the financial results reported in the condensed consolidated financial statements. The significant accounting policies used in the preparation of the Company’s condensed consolidated financial statements are summarized in Note 2 to the Company’s consolidated financial statements and notes thereto found in its Annual Report on Form 10-K for the year ended December 31, 2013. Certain of those policies are considered to be particularly important to the presentation of the Company’s financial results because they require management to make difficult, complex or subjective judgments, often as a result of matters that are inherently uncertain.

During the three months ended September 30, 2014, there were no material changes to matters discussed under the heading “Critical Accounting Estimates” in Part II, Item 7 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Business Environment

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

For a number of years, the Company has offered auction rate securities (“ARS”) to its clients. A significant portion of the market in ARS ‘failed’ because, in the tight credit market in and subsequent to 2008, dealers were no longer willing

or able to purchase the imbalance between supply and demand for ARS. These securities have auctions scheduled on either a 7, 28 or 35 day cycle. Clients of the Company own ARS in their individual accounts. The absence of a liquid market for these securities presents a significant problem to clients continuing to own ARS and, as a result, to the Company. It should be noted that this is a failure of liquidity and not a default. These securities in almost all cases have not failed to pay interest or principal when due. These securities are fully collateralized for the most part and, for the most part, remain good credits. The Company did not act as an auction agent for ARS.

Interest rates on ARS typically reset through periodic auctions. Due to the auction mechanism and generally liquid markets, ARS historically were categorized as Level 1 in the fair value hierarchy. Beginning in February 2008, uncertainties in the credit markets resulted in substantially all of the ARS market experiencing failed auctions. Once the auctions failed, the ARS could no longer be valued using observable prices set in the auctions. The Company has used less observable determinants of the fair value of ARS, including the strength in the underlying credits, announced issuer redemptions, completed issuer redemptions, and announcements from issuers regarding their intentions with respect to their outstanding ARS. The Company has also

developed an internal methodology to discount for the lack of liquidity and non-performance risk of the failed auctions. Due to liquidity problems associated with the ARS market, ARS that lack liquidity are setting their interest rates according to a maximum rate formula defined in their registration statements.

The Company has sought financing from a number of sources, without success, in order to try to find a means for all its clients to find liquidity from their ARS holdings. It seems likely that liquidity will ultimately come from issuer redemptions which, to date, combined with purchases by the Company have reduced client holdings by 92%. There can be no assurance that the Company will be successful in finding a liquidity solution for all its clients' ARS. See "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" appearing in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013 and "Factors Affecting 'Forward-Looking Statements'" herein.

Recent events have caused increased review and scrutiny of the methods utilized by financial service companies to finance their short term requirements for liquidity. The Company utilizes commercial bank loans, securities lending, and repurchase agreements to finance its short term liquidity needs (See "Liquidity"). All repurchase agreements and reverse repurchase agreements are collateralized by short term U.S. Government obligations and U.S. Government Agency obligations.

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

Regulatory and Legal Environment

The brokerage business is subject to regulation by, among others, the SEC, the Commodity Futures Trading Commission ("CFTC") and FINRA in the United States, the Financial Conduct Authority ("FCA") in the United Kingdom, the Jersey Financial Services Commission ("JFSC") in the Isle of Jersey, the Securities and Futures Commission in Hong Kong ("SFC"), and various state securities regulators in the United States. In addition, Oppenheimer Israel (OPCO) Ltd. operates under the supervision of the Israeli Securities Authority. Events of a decade ago surrounding corporate accounting and other activities leading to investor losses resulted in the enactment of the Sarbanes-Oxley Act and have caused increased regulation of public companies. The financial crisis of 2008-9 accelerated this trend. New regulations and new interpretations and enforcement of existing regulations have created increased costs of compliance and increased investment in systems and procedures to comply with these more complex and onerous requirements. The SEC has increased their enforcement activities with an intent to bring more actions against firms and individuals for violations of existing rules as well as for conduct that stems from violations of new interpretations of existing rules and to assert significant penalties in connection with such activities. Various states are imposing their own regulations that make compliance more difficult and more expensive to monitor.

In July 2010, Congress enacted extensive legislation entitled the Wall Street Reform and Consumer Protection Act ("Dodd Frank") in which it mandated that the SEC and other regulators conduct comprehensive studies and issue new regulations based on their findings to control the activities of financial institutions in order to protect the financial system, the investing public and consumers from issues and failures that occurred in the 2008-9 financial crisis. All relevant studies have not yet been completed, but they are widely expected to extensively impact the regulation and practices of financial institutions including the Company. The changes are likely to significantly reduce leverage available to financial institutions and to increase transparency to regulators and investors of risks taken by such institutions. It continues to be impossible to predict the nature and impact of such rulemaking. In addition, new rules have been adapted to regulate and/or prohibit proprietary trading for certain deposit taking institutions, control the

amount and timing of compensation to “highly paid” employees, create new regulations around financial transactions with consumers requiring the adoption of a uniform fiduciary standard of care of broker-dealers and investment advisers providing personalized investment advice about securities to retail customers, increase the disclosures provided to clients, and create a tax on securities transactions. The Consumer Financial Protection Bureau has stated its intention to implement new rules affecting the interaction between financial institutions and consumers. In addition, the U.S. Department of Labor is poised to propose its own rules for financial institutions surrounding their fiduciary duty to retirement plans which could have significant negative implications for the industry’s relationships with this broad group of clients including individuals holding Individual Retirement Accounts (“IRA”). In December 2012, France began applying a 0.2% transaction tax on financial transactions in American Depository Receipts of French companies that trade on U.S. exchanges. Italy implemented its own financial transaction tax in March 2013. The imposition of financial transaction taxes are likely to impact the jurisdictions in which securities are traded and the “spreads” demanded by market participants in order to make up for the cost of any such tax. Such a tax may be implemented throughout the European Union. Recent publicity around “high speed trading” has created suggestions by legislators to create a financial transaction tax in the U.S. to inhibit such trading. FINRA has proposed a data collection system (CARDS- Comprehensive Automated Risk Data System) that would

collect data on virtually every transaction involving clients and process and retain the information. It is possible that client reaction to this information collection will drive client activity to non-broker dealers, and have a detrimental impact on the business of the Company. If and when enacted, such regulations will likely increase compliance costs and reduce returns earned by financial service providers and intensify compliance overall. It is difficult to predict the nature of the final regulations and their impact on the business of the Company.

Prohibitions and Restrictions on Proprietary Trading and Certain Interests in, and Relationships with, Hedge Funds and Private Equity Funds (the "Volcker Rule") was published by the U.S. Federal Reserve Board as required by Dodd-Frank in 2011. The Volcker Rule is intended to restrict U.S. banks and other financial institutions that accept deposits from conducting proprietary trading activities, as well as investing in hedge funds and private equity funds for their own account. The intent of the Volcker Rule is to reduce risk to the capital of such institutions through reducing speculation and risk-taking with bank capital. The draft form of the proposed rule was exposed for comment until February 13, 2012 and is scheduled to become effective on July 21, 2015 (subject to possible additional delays). There may be additional changes to the requirements of the Volcker Rule and it is impossible to determine the Volcker Rule's impact on market liquidity and on the liquidity of issued sovereign debt in Europe and Asia. The Company believes that the Volcker Rule will not directly affect its operations, but indirect effects cannot be predicted with any certainty. Additionally, the Federal Reserve in conjunction with other U.S. regulatory organizations has analyzed the U.S. financial system and the impact that might result from the failure of one or more "Strategically Important Financial Institutions" ("SIFI"). To date, less than 50 such institutions have been identified and will be made subject to special regulations including the requirement to create a plan for their orderly demise in the event of a failure. Oppenheimer has not been identified as a SIFI. There can be no assurance that this list will not grow to include more SIFI institutions. The identification process has not been completed and is subject to appeal by the affected institutions. The Company has no reason to believe that it will be identified as a SIFI. But, this requirement may have broader implications for the capital markets as capital becomes less available.

Recent revelations concerning the potential manipulation of LIBOR ("London Interbank Offered Rate") during the period from 2008-2010 make it likely that more regulation surrounding the fixing of interest rates on commercial bank loans and reference rates on derivatives can be expected. Similar investigations are underway with respect to the setting of foreign exchange rates over a broad time period and there is no way to predict the outcome of these investigations although recently enforcement has been instituted against a number of international banks as well as employees of such banks.

The rules and requirements that were created by the passage of the Patriot Act, and the anti-money laundering regulations (AML) in the U.S. and similar laws in other countries that are related, have created significant costs of compliance and can be expected to continue to do so. FinCEN ("Financial Crimes Enforcement Network") has heightened their review of activities of broker-dealers where heretofore their focus had been on commercial banks. This increased focus is likely to lead to significantly higher levels of enforcement and higher fines and penalties on broker dealers. Regulators have expanded their views of the requirements of the Patriot Act, as well as through enforcement of the provisions of the Bank Secrecy Act ("BSA") and the Foreign Corrupt Practices Act ("FCPA") with respect to the amount of diligence required by financial institutions of both their foreign and domestic clients and their activities.

Pursuant to FINRA Rule 3130 (formerly NASD Rule 3013 and NYSE Rule 342), the chief executive officers ("CEOs") of regulated broker-dealers (including the CEO of Oppenheimer) are required to certify that their companies have processes in place to establish and test supervisory policies and procedures reasonably designed to achieve compliance with federal securities laws and regulations, including applicable regulations of self-regulatory organizations. The CEO of the Company is required to make such a certification on an annual basis and did so in March 2014.

On July 30, 2013, the SEC adopted final amendments to the financial responsibility rules (“FRRs”) and reporting rules under SEC Rule 17a-5 (“Reporting Rule”) for broker-dealers. The final amendments to the FRRs make changes to the rules related to proprietary accounts for broker-dealers, special reserve deposits with banks, bank sweep programs, deductions from net worth, solvency requirements, the SEC’s ability to restrict withdrawals of capital, books and records requirements, and notifications to regulators. The effective date for the FRRs was October 21, 2013. The effectiveness of certain provisions of the final amendments was extended to March 3, 2014.

The Reporting Rule requires all broker-dealers to file a new unaudited quarterly Form Custody report which provides information around custodial practices and was effective December 31, 2013. In addition, the new Reporting Rule provides significant changes to annual reporting of broker-dealers by eliminating the internal control report referred to as the Material Inadequacy letter, providing for a new Compliance Report asserting the effectiveness of internal controls for compliance with net capital, customer reserve formula, quarterly security count, and customer account statements. Also, the new Reporting Rule makes changes to the audit and attestation requirements for auditor reporting from American Institute of Certified Public

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Accountants (“AICPA”) standards to Public Company Accounting Oversight Board (“PCAOB”) standards as well as provide the SEC with access to auditors and audit workpapers. These rules are effective for fiscal years ending on or after June 1, 2014.

On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released an updated version of its Internal Control – Integrated Framework (the "2013 Framework"), which supersedes the original framework that was developed in 1992 (the "1992 Framework"). Most public companies, including the Company, adopted the 1992 Framework as a basis for their compliance with the Sarbanes-Oxley Act of 2002 and the primary objective in updating and enhancing the 1992 Framework was to address the significant changes to the business and operating environments. The 2013 Framework is effective on December 15, 2014. The Company has begun its readiness assessments to ensure its compliance with the 2013 Framework.

Other Regulatory Matters

For several quarters, Oppenheimer has been responding to information requests from the Enforcement Staff of FINRA regarding Oppenheimer’s policies and procedures in relation to, and the activities of several financial advisers concerning, the sale of low-priced securities. On August 5, 2013, FINRA issued an order accepting an offer of settlement submitted by Oppenheimer without admitting or denying the recitation of facts and violative conduct set forth in the order (the “Order”). The Order states that from August 2008 through September 2010 seven brokers in five branch offices of Oppenheimer permitted the sale of low priced securities (“penny stocks”) that were neither registered or exempt from registration under the Securities Act and Oppenheimer’s supervisory system failed to prevent such violations. In addition, FINRA determined Oppenheimer failed to follow up on specific red flags relating to the sale of penny stocks and Oppenheimer’s AML program failed to detect suspicious activity related to penny stock sales. FINRA determined this activity violated FINRA Rules 2010, 2110 and 3310. As a result, Oppenheimer was censured and paid a total fine of $1,425,000. Oppenheimer also agreed to retain an independent consultant to conduct a review of its policies, systems, procedures and training relating to the receipt or purchase and subsequent sale of penny stocks, the supervision of Foreign Financial Institutions (“FFIs”) and its anti-money laundering procedures related to FFIs and the handling of movement of securities. The independent consultant completed its review and filed its report with Oppenheimer and FINRA in January 2014. Oppenheimer agreed to adopt all of the recommendations of the independent consultant.

On June 23, 2011, Oppenheimer received notice of an investigation by the SEC pursuant to which the SEC requested information from the Company regarding the sale of a number of low-priced securities effected primarily through several former Oppenheimer financial advisers and purchases and sales of low-priced securities through one Oppenheimer customer account. The issues and facts surrounding this investigation are, in the Company’s view, largely duplicative of the matter that was settled by Oppenheimer with FINRA in August 2013 described above. On July 16, 2013, the Company received a “Wells Notice” from the SEC requesting that Oppenheimer make a written submission to the SEC to explain why Oppenheimer should not be charged with violations of the Exchange Act in relation to its sales of low-priced securities on behalf of a former customer of the firm. The Company submitted a Wells response on August 19, 2013.

In October 2010, Oppenheimer received notice of an investigation by the SEC related to the trading of low-priced securities by one former financial advisor in one of Oppenheimer’s branch offices and the supervision related thereto. Both branch and headquarters personnel, including members of senior management, have provided on-the-record testimony in connection with the investigation.

The Company believes that the SEC may file one or more enforcement actions against Oppenheimer as well as the members of management in connection with the two immediately preceding paragraphs.

In February 2014, Oppenheimer received notice of an investigation by, and a request for information from, a division of the United States Department of the Treasury (“FinCEN”) relating to potential violations of the Bank Secrecy Act and the regulations promulgated thereunder related primarily to, in the Company’s view, the FINRA and SEC matters discussed immediately above. Oppenheimer provided information it believes is responsive to the FinCEN request for information in March of 2014. The Company believes that FinCEN may file an action or issue an assessment against the Company related to their investigation.

The Company continues to cooperate with and has had discussions about a potential resolution of these matters with the SEC and FinCEN. However, there can be no assurance that these discussions will lead to a resolution of any or all of these matters and, as noted above, the SEC and FinCEN could file one or more enforcement actions against the Company. The filing of one or more enforcement actions could have a material adverse effect on our financial condition and results of operations and could cause significant reputational harm to us which, in turn, could materially adversely impact our business prospects. See Item 1A – “Risk Factors” appearing in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

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The Company recorded a $19.7 million charge against earnings related to the aforementioned matters during the six-month period ended June 30, 2014. As of September 30, 2014, the Company believes, subject to the paragraph immediately above, it is fully reserved against potential liability arising out of the SEC and FinCEN matters.

For several quarters, Oppenheimer has been responding to information requests from FINRA regarding the sale of leveraged and inverse exchange traded funds ("ETFs"). Several Oppenheimer employees have provided on-the-record testimony in connection with the investigation.

In May 2014, Oppenheimer received a "Wells Notice" from FINRA requesting that Oppenheimer make a written submission to explain why Oppenheimer should not be charged with violations of FINRA rules relating to the supervision of one former financial advisor and associated charges related to alleged deficient supervisory systems, late FINRA U/4/U/5 filings and record retention. Oppenheimer has not yet determined whether or not to file a Wells response but will make such determination in the fourth quarter of 2014.

Oppenheimer is continuing to cooperate with the investigating entities.

Since early 2014, Oppenheimer has been responding to information requests from FINRA regarding the supervision of one of its former financial advisors who was indicted by the United States Attorney's Office for the District of New Jersey in March 2014 on allegations of insider trading. In August 2014, Oppenheimer received information requests from the SEC regarding supervision of the same financial advisor. Oppenheimer is continuing to cooperate with both the FINRA and SEC inquiries.

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client related legal settlements and awards to purchase ARS, as of September 30, 2014, the Company purchased and holds (net of redemptions) approximately $94.8 million in ARS from its clients. As of September 30, 2014, the Company did not have any outstanding ARS purchase commitments related to the settlements with the Regulators. In addition, the Company is committed to purchase another $13.1 million from clients through 2016 under legal settlements and awards.

The ARS positions that the Company owns and are committed to purchase primarily represent auction rate preferred securities issued by closed-end funds and, to a lesser extent, municipal auction rate securities which are municipal bonds wrapped by municipal bond insurance and student loan auction rate securities which are asset-backed securities backed by student loans.

The Company's clients held at Oppenheimer approximately $140.1 million of ARS at September 30, 2014 exclusive of amounts that 1) were owned by Qualified Institutional Buyers ("QIBs"), 2) were transferred to the Company after February 2008, 3) were purchased by clients after February 2008, or 4) were transferred from the Company to other securities firms after February 2008. See "Off-Balance Sheet Arrangements" herein for additional details.

Other Matters

The Company operates in all state jurisdictions in the United States and is thus subject to regulation and enforcement under the laws and regulations of each of these jurisdictions. The Company has been and expects that it will continue to be subject to investigations and some or all of these may result in enforcement proceedings as a result of its

business conducted in the various states.

As part of its ongoing business, the Company records reserves for legal expenses, judgments, fines and/or awards attributable to litigation and regulatory matters. In connection therewith, the Company has maintained its legal reserves at levels it believes will resolve outstanding matters, but may increase or decrease such reserves as matters warrant. In accordance with applicable accounting guidance, the Company establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and reasonably estimable. When loss contingencies are not both probable and reasonably estimable, the Company does not establish reserves. See "Legal Proceedings" herein.

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Business Continuity

The Company is committed to an on-going investment in its technology and communications infrastructure including extensive business continuity planning and investment. These costs are on-going and the Company believes that current and future costs will exceed historic levels due to business and regulatory requirements. The Company built a new data center in 2010 which is housed in a location different than its headquarters. The move to new headquarters in 2012 required additional outlays for business continuity purposes although considerable savings have begun to be realized by the availability of independent electric generating capacity for the entire building which will support the Company's infrastructure and occupancy.

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

Cybersecurity

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

Outlook

The Company's long-term plan is to continue to expand existing offices by hiring experienced professionals as well as expand through the purchase of operating branch offices from other broker dealers or the opening of new branch offices in attractive locations, thus maximizing the potential of each office and the development of existing trading, investment banking, investment advisory and other activities. Equally important is the search for viable acquisition candidates. As opportunities are presented, it is the long-term intention of the Company to pursue growth by acquisition where a comfortable match can be found in terms of corporate goals and personnel at a price that would provide the Company's stockholders with incremental value. The Company may review potential acquisition opportunities, and will continue to focus its attention on the management of its existing business and may, from time to time, dispose of business activities that are no longer strategic to its business operations or which have limited opportunities for growth. In addition, the Company is committed to improving its technology capabilities to support client service and the expansion of its capital markets capabilities.

Results of Operations

The Company reported net income attributable to Oppenheimer Holdings Inc. of $4.5 million or $0.33 per share for the third quarter of 2014 compared with net income attributable to Oppenheimer Holdings Inc. of $5.2 million or $0.38 per share for the third quarter of 2013, a decrease of 14.6%. Income before taxes was $10.9 million for the third quarter of 2014 compared with income before taxes of $8.2 million for the third quarter of 2013, an increase of 33.5%. Revenue for the third quarter of 2014 was $244.7 million compared with $243.4 million in the third quarter of 2013, an increase of 0.5%.

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The following table and discussion summarizes the changes in the major revenue and expense categories for the three months ended September 30, 2014 compared to the same period in 2013:

(Expressed in thousands)	Three Months Ended September 30, 2014		Nine Months Ended September 30, 2014	
	Amount Change	% Change	Amount Change	% Change
Revenue				
Commissions	$(9,390)	(7.8)	$(15,210)	(4.2)
Advisory fees	10,840	18.0	32,175	18.1
Investment banking	12,479	58.4	31,787	51.0
Interest	(1,990)	(13.8)	(2,529)	(6.3)
Principal transactions, net	(6,075)	(58.7)	(8,713)	(25.9)
Other	(4,561)	(27.1)	(14,326)	(29.4)
Total revenue	1,303	0.5	23,184	3.2
Expenses				
Compensation and related expenses	253	0.2	12,839	2.7
Communications and technology	(1,008)	(5.9)	1,380	2.8
Occupancy and equipment costs	(604)	(3.7)	(4,006)	(7.8)
Clearing and exchange fees	(130)	(2.1)	(549)	(3.0)
Interest	(2,037)	(33.0)	(6,466)	(32.1)
Other	2,096	7.4	24,395	28.1
Total expenses	(1,430)	(0.6)	27,593	3.9
Income before income taxes	2,733	33.5	(4,409)	(21.5)
Income tax provision	3,616	136.2	1,266	15.7
Net income for the period	(883)	(16.0)	(5,675)	(45.5)
Less net income attributable to non-controlling interest, net of tax	(116)	(42.8)	(67)	(9.3)
Net income attributable to Oppenheimer Holdings Inc.	$(767)	(14.6)	$(5,608)	(47.7)

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Third Quarter 2014

Revenue

Commission revenue was $110.9 million for the third quarter of 2014, a decrease of 7.8% compared with $120.3 million for the third quarter of 2013 due to the low transaction volumes from retail investors during the current year quarter.

Advisory fees were $71.0 million for the third quarter of 2014, an increase of 18.0% compared with $60.1 million for the third quarter of 2013 due to increased levels of managed product assets. Assets under management increased 17.8% from $22.5 billion to $26.5 billion from June 30, 2013 to June 30, 2014, which contributed to the aforementioned advisory fee increase as the fees are calculated quarterly based on the market value at the end of the previous period. Assets under management for the period ended September 30, 2014 decreased 1.9% to $26.0 billion as compared to $26.5 billion at June 30, 2014. The decrease was due to market depreciation of 1.4% on current assets under management as well as a 0.6% decrease in new assets.

Investment banking revenue increased 58.4% to $33.8 million for the third quarter of 2014 compared with $21.4 million for the third quarter of 2013 primarily due to increased fees from mergers and acquisitions activity during the current period.

Interest revenue was $12.4 million for third quarter of 2014, a decrease of 13.8% compared with $14.4 million for the third quarter of 2013. The decrease is primarily attributable to a decrease of $2.1 million in interest from lower holdings of reverse repurchase agreements and U.S. government and agency securities.

Principal transactions revenue decreased 58.7% to $4.3 million during the third quarter of 2014 compared with the third quarter of 2013 due to lower trading profits in equities, corporate bonds, and government and agency securities during the current period.

Other revenue was $12.3 million for the third quarter of 2014, a decrease of 27.1% compared to $16.9 million for the third quarter of 2013 due to the decrease in the value of assets underlying the deferred compensation plan and the lower fees earned from loan originations (13 loans originated in the third quarter of 2014 compared to 18 loans originated in the prior year quarter).

Expenses

Compensation and benefits (including salaries, production and incentive compensation, share-based compensation, deferred compensation, and other benefit-related items) totaled $161.3 million during the third quarter of 2014, roughly flat when compared to the third quarter of 2013. Increases in incentive compensation were offset by decreases in production-related and deferred compensation obligations during the third quarter of 2014. Compensation and related expenses as a percentage of revenue was 65.9% during the third quarter of 2014 compared to 66.2% during the third quarter of 2013.

Non-compensation expenses were $72.4 million during the third quarter of 2014, a decrease of 2.3% compared to $74.1 million during the same period last year primarily due to lower debt service costs on the outstanding Senior Secured Notes during the current period.

Year-to-date 2014

Revenue

Commission revenue was $349.1 million for the nine months ended September 30, 2014, a decrease of 4.2% compared with$364.3 million for the same period of 2013.

Advisory fees were $209.6 million for the nine months ended September 30, 2014, an increase of 18.1% compared with $177.4 million for the same period of 2013. Assets under management increased 21.2% from $20.9 billion to $25.3 billion from December 31, 2012 to December 31, 2013, 14.3% from $22.4 billion to $25.6 billion from March 31, 2013 to March 31, 2014, and 17.8% from $22.5 billion to $26.5 billion from June 30, 2013 to June 30, 2014, which contributed to the aforementioned advisory fee increase as the fees are calculated quarterly based on the market value at the end of the previous period. Assets under management for the period ended September 30, 2014 increased 9.2% to $26.0 billion as compared to $23.8 billion at September 30, 2013 which will be used to determine the advisory fees for the period ended December 31, 2014.

Investment banking revenue increased 51.0% to $94.2 million for the nine months ended September 30, 2014 compared with $62.4 million for the same period of 2013. The increase was due to increased fees from mergers and acquisition activity and from equity underwritings.

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Interest revenue was $37.4 million for the nine months ended September 30, 2014, a decrease of 6.3% compared with $39.9 million for the same period in 2013. The decrease is primarily attributable to a decrease in interest from lower holdings of reverse repurchase agreements and U.S. government and agency securities.

Principal transactions revenue was $24.9 million for the nine months ended September 30, 2014, a decrease of 25.9% compared with $33.6 million for the same period in 2013. The overall decrease was due to lower trading profits in equities, corporate bonds, and government and agency securities during the third quarter of 2014.

Other revenue was $34.4 million for the nine months ended September 30, 2014, a decrease of 29.4% compared with $48.8 million for the same period in 2013 due to the decrease in the value of assets underlying the deferred compensation plan and the lower fees earned from loan originations (27 loans originated in the nine months of 2014 compared to 56 loans originated in the same period in 2013).

Expenses

Compensation and benefits (including salaries, production and incentive compensation, share-based compensation, deferred compensation, and other benefit-related items) totaled $493.1 million during the nine months ended September 30, 2014, an increase of 2.7% compared to $480.3 million for the nine months ended September 30, 2013. Compensation and related expenses as a percentage of revenue was 65.7% during the nine months ended September 30, 2014 compared to 66.1% during the nine months ended September 30, 2013.

Non-compensation expenses were $240.3 million during the nine months ended September 30, 2014, an increase of 6.5% compared to $225.5 million for the same period in 2013 which is primarily due to the increase in reserves of $19.7 million during the first half of 2014 related to two regulatory matters. The increase was also attributable to the costs associated with the early retirement of the Company's Senior Secured Notes in April 2014 (call premium and write-off of debt issuance costs) totaling $3.5 million.

The table below presents information about the reported revenue and net income before taxes of the Company's reportable business segments for the three and nine months ended September 30, 2014 and 2013:
(Expressed in thousands)

	For the Three Months Ended September 30,			For the Nine Months Ended September 30,		
	2014	2013	% Change	2014	2013	% Change
Revenue						
Private Client	$142,606	$144,316	(1.2)	$435,770	$430,963	1.1
Asset Management	24,801	21,488	15.4	74,443	64,450	15.5
Capital Markets	71,226	68,460	4.0	221,324	201,495	9.8
Commercial Mortgage Banking	6,349	9,314	(31.8)	18,179	26,857	(32.3)
Corporate/Other	(303)	(202)	50.0	(180)	2,587	*
	$244,679	$243,376	0.5	$749,536	$726,352	3.2
Income (Loss) before income taxes						
Private Client	$18,898	$15,088	25.3	$36,766	$48,113	(23.6)
Asset Management	8,264	6,387	29.4	24,300	20,332	19.5
Capital Markets	5,699	4,301	32.5	23,965	8,806	172.1
Commercial Mortgage Banking	1,815	2,823	(35.7)	7,269	7,977	(8.9)
Corporate/Other	(23,780)	(20,436)	16.4	(76,159)	(64,678)	17.8
	$10,896	$8,163	33.5	$16,141	$20,550	(21.5)

*Not comparable

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Private Client

Private Client reported revenue of $142.6 million for the third quarter of 2014, 1.2% lower than the third quarter of 2013, primarily due to a decrease in transaction-based business during the current year period. Income before income taxes was $18.9 million, an increase of 25.3% compared with the third quarter of 2013, affected by a decrease in deferred compensation expense during the current period.

- Client assets under administration were $88.3 billion at September 30, 2014 compared to $81.8 billion at September 30, 2013, an increase of 7.9%.
- Financial Adviser headcount was 1,353 at the end of the third quarter of 2014, down from 1,400 at the end of the third quarter of 2013 reflecting the Company's increased focus on financial adviser productivity.
- Retail commissions were $73.1 million for the third quarter of 2014, a decrease of 8.8% from the prior year quarter.
- Advisory fee revenue on traditional and alternative managed products was $47.8 million for the third quarter of 2014, an increase of 19.5% over the prior year quarter (see Asset Management below for further information).
- Money market fees continue to be negatively impacted by waivers in the amount of $7.8 million during the third quarter of 2014 versus waivers of $7.9 million during the third quarter of 2013.

Asset Management

Asset Management reported revenue of $24.8 million for the third quarter of 2014, 15.4% higher than the third quarter of 2013.
Income before income taxes was $8.3 million, an increase of 29.4% compared with the third quarter of 2013, as a result of increased fees earned on managed products.

- Advisory fee revenue on traditional and alternative managed products was $23.2 million for the third quarter of 2014, an increase of 15.2% over the prior year quarter. Advisory fees are calculated based on the value of client assets under management ("AUM") at the end of the prior quarter which totaled $26.5 billion at June 30, 2014 ($22.5 billion at June 30, 2013) and are allocated to the Private Client and Asset Management business segments.
- AUM increased 9.2% to $26.0 billion at September 30, 2014, compared to $23.8 billion at September 30, 2013, which is the basis for advisory fee billings for the fourth quarter of 2014. The increase in AUM was comprised of asset appreciation of $1.6 billion and net new assets of $0.6 billion.

The following table provides a breakdown of the change in assets under management for the three months ended September 30, 2014:
(Expressed in millions)

	For the Three Months Ended September 30, 2014				
	Beginning Balance	Contributions	Redemptions	Appreciation (Depreciation)	Ending Balance
Fund Type					
Traditional [1]	$22,336	$440	$(487)	$(377)	$21,912
Institutional Fixed Income [2]	1,266	3	(14)	3	1,258
Alternative Investments:					
Hedge Funds [3]	2,475	62	(174)	60	2,423
Private Equity Funds [4]	428	—	—	(66)	362
	$26,505	$505	$(675)	$(380)	$25,955

(1) Traditional investments include third party advisory programs, Oppenheimer financial adviser managed and advisory programs, and Oppenheimer Asset Management taxable and tax-exempt portfolio management strategies.
(2)

Institutional fixed income provides solutions to institutional investors including: Taft-Hartley Funds, Public Pension Funds, Corporate Pension Funds, and Foundations and Endowments.

(3) Hedge funds represent single manager hedge fund strategies in areas including hedged equity, technology and financial services, and multi-manager and multi-strategy fund of funds.

(4) Private equity funds represent private equity fund of funds including portfolios focused on natural resources and related assets.

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Capital Markets

Capital Markets reported revenue of $71.2 million for the third quarter of 2014, 4.0% higher than the third quarter of 2013 primarily due to increased fees from mergers and acquisitions activity. Income before income taxes was $5.7 million for the third quarter of 2014, an increase of 32.5% compared with income before income taxes of $4.3 million for the third quarter of 2013.

- Institutional equities commissions were $26.7 million for the third quarter of 2014, a decrease of 0.6% compared with the prior year period.
- Advisory fees from investment banking activities more than tripled to $14.0 million in the third quarter of 2014 compared with the prior year period due to an increase in corporate finance advisory services during the current period.
- Equity underwriting fees increased 2.6% to $13.9 million for the third quarter of 2014 compared with the prior year period.
- Revenue from Taxable Fixed Income decreased 33.0% to $13.2 million for the third quarter of 2014 compared with the prior year period due to lower investor activity during the current period.
- Public Finance and Municipal Trading revenue increased 8.9% to $5.7 million for the third quarter of 2014 compared with the prior year period.

Commercial Mortgage Banking

Commercial Mortgage Banking reported revenue of $6.3 million for the third quarter of 2014, 31.8% lower than the third quarter of 2013, due to a decrease in the dollar volume of loans originated during the 2014 period. Income before income taxes was $1.8 million, a decrease of 35.7% compared with the third quarter of 2013, due to the lower number of loans originated during the current year period.

- Loan origination fees for the third quarter of 2014 were $2.0 million, a decrease of 26.0% compared with the prior year period, as the Company originated 13 commercial loans (18 in the third quarter of 2013) with an aggregate principal loan balance of $91.1 million ($193.0 million in the third quarter of 2013).
- Net servicing revenue for the third quarter of 2014 was $1.4 million compared with $1.3 million for the comparable period in 2013.
- Principal loan balances related to servicing activities totaled $4.0 billion at September 30, 2014, up 2.6% from September 30, 2013.

Liquidity and Capital Resources

Total assets at September 30, 2014 decreased by 2.6% from December 31, 2013. The Company satisfies its need for short-term funds from internally generated funds and collateralized and uncollateralized borrowings, consisting primarily of bank loans, stock loans, uncommitted lines of credit, and warehouse facilities. The Company finances its trading in government securities through the use of repurchase agreements. The Company’s longer-term capital needs are met through the issuance of the Notes (see “Refinancing” below). The amount of Oppenheimer’s bank borrowings fluctuates in response to changes in the level of the Company’s securities inventories and customer margin debt, changes in notes receivable from employees, investment in office facilities, and changes in stock loan balances and financing through repurchase agreements. Oppenheimer has arrangements with banks for borrowings on a fully-collateralized basis. At September 30, 2014, the Company had $135.5 million of such borrowings outstanding compared to outstanding borrowings of $118.2 million at December 31, 2013. The Company also has some availability of short-term bank financing on an unsecured basis.

Volatility in the financial markets and ongoing concerns about the speed and degree of economic recovery has had an adverse effect on the availability of credit through traditional sources. As a result of concerns around financial markets generally and the strength of counterparties specifically, lenders have reduced and, in some cases, ceased to provide funding on both a secured and unsecured basis to financial service providers.

The Company’s overseas subsidiaries, Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited, are subject to local regulatory capital requirements, which restrict the Company’s ability to utilize this capital for other purposes. The regulatory capital requirements for Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited were $4.1 million and $386,000, respectively, at September 30, 2014. See Note 12 to the condensed consolidated financial statements in Item 1 herein for further details. The liquid assets at Oppenheimer Europe Ltd. are primarily comprised of money market funds and to a lesser extent cash deposits in bank accounts. The liquid assets at Oppenheimer Investments Asia Limited are primarily comprised of investments in U.S. Treasuries and to a lesser extent cash and money market funds. Any restrictions on transfer of

these liquid assets from Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited to the Company or its other subsidiaries would be limited by the regulatory capital requirements.

The Company permanently reinvests eligible earnings of its foreign subsidiaries in such subsidiaries and, accordingly, does not accrue any U.S. income taxes that would arise if these earnings were repatriated. The unrecognized deferred tax liability associated with earnings of foreign subsidiaries, net of associated U.S. foreign tax credits, is estimated at $2.0 million for those subsidiaries with respect to which the Company would be subject to residual U.S. tax on cumulative earnings through 2013 were those earnings to be repatriated. The Company intends to continue to permanently reinvest the excess earnings of Oppenheimer Israel (OPCO) Ltd. in its own business and in the businesses in Europe and Asia to support business initiatives in those regions.

On August 5, 2011, Standard & Poor's ("S&P") lowered its long term sovereign credit rating on the United States of America from AAA to AA+. Credit agencies have also reduced the credit ratings of various sovereign nations, including Italy and France. The negative impact of any future downgrade could adversely affect our credit ratings, as well as those of our clients and/or counterparties and could require us to post additional collateral on loans collateralized by U.S. Treasury securities. See Item 1A "Risk Factors – The recent downgrade of U.S. long term sovereign debt obligations and issues affecting the sovereign debt of European nations may adversely affect markets and our business" in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

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

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

Refinancing

On April 12, 2011, the Company completed the private placement of $200.0 million in aggregate principal amount of 8.75% Senior Secured Notes due April 15, 2018 (the "Notes") at par. Interest on the Notes is payable semi-annually on April 15th and October 15th. Proceeds from the private placement were used to retire the Senior Secured Credit Note due 2013 ($22.4 million) and the Subordinated Note due 2014 ($100.0 million) and for other general corporate purposes. The private placement resulted in the fixing of the interest rate over the term of the Notes compared to the variable rate debt that was retired and an extension of the debt maturity dates as described above. The Notes were non-callable until April 2014. The cost to issue the Notes was approximately $4.6 million which was capitalized in the second quarter of 2011 and is amortized over the period of the Notes.
At September 30, 2014, the remaining unamortized debt issuance costs were $1.7 million.

The indenture for the Notes contains covenants which place restrictions on the incurrence of indebtedness, the payment of dividends, sale of assets, mergers and acquisitions and the granting of liens. The Notes provide for events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. The Company's obligations under the Notes are guaranteed, subject to certain limitations, by the same subsidiaries that guaranteed the obligations under the Senior Secured Credit Note and the Subordinated Note which were retired. These guarantees may be shared, on a senior basis, under certain circumstances, with newly incurred debt outstanding in the future. At September 30, 2014, the Company was in compliance with all of its covenants.

On July 12, 2011, the Company's Registration Statement on Form S-4, filed to register the exchange of the Notes for fully registered Notes, was declared effective by the SEC. The Exchange Offer was completed in its entirety on August 9, 2011.

On April 4, 2012, the Company's Registration Statement on Form S-3 filed to enable the Company to act as a market maker in connection with the Notes was declared effective by the SEC.

On May 28, 2014, Moody's Corporation affirmed the Company's 'B2' Corporate Family rating and 'B2' rating on the Notes with a stable outlook. On August 8, 2014, S&P affirmed the Company and its Notes "B" rating and revised its outlook on the Notes to stable from positive.

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On April 15, 2014, the Company retired early a total of $50.0 million (25%) of the Notes. The Company redeemed $45.0 million aggregate principal amount of the outstanding Notes at a redemption price equal to 106.563% of the principal amount of the Notes, plus accrued and unpaid interest. In addition, the Company retired the $5.0 million aggregate principal amount of the Notes that it held. Upon completion of the redemption and retirement on April 15, 2014, $150.0 million aggregate principal amount of the Notes remains outstanding. The retirement of the Notes will reduce the Company's interest costs by $3.9 million annually beginning in the second quarter of 2014.

Interest expense for the three and nine months ended September 30, 2014 on the Notes was $3.3 million and $11.0 million, respectively ($4.3 million and $12.8 million, respectively, for the three and nine months ended September 30, 2013).

Liquidity

For the most part, the Company's assets consist of cash and assets which can be readily converted into cash. Receivable from brokers, dealers and clearing organizations represents deposits for securities borrowed transactions, margin deposits or current transactions awaiting settlement. Receivable from customers represents margin balances and amounts due on transactions awaiting settlement. The Company's receivables are, for the most part, collateralized by marketable securities. The Company's collateral maintenance policies and procedures are designed to limit the Company's exposure to credit risk. Securities owned, with the exception of the ARS, are mainly comprised of actively trading, readily marketable securities. The Company advanced $4.0 million in forgivable notes to employees (which are inherently illiquid) for the three months ended September 30, 2014 ($5.4 million for the three months ended September 30, 2013) as upfront or backend inducements. The amount of funds allocated to such inducements will vary with hiring activity.

The Company satisfies its need for short-term liquidity from internally generated funds, collateralized and uncollateralized bank borrowings, stock loans and repurchase agreements and warehouse facilities. Bank borrowings are collateralized by firm and customer securities. In addition, letters of credit are issued in the normal course of business to satisfy certain collateral requirements in lieu of depositing cash or securities.

The Company does not repatriate the earnings of its foreign subsidiaries. Foreign earnings are permanently reinvested for the use of the foreign subsidiaries and therefore these foreign earnings are not available to satisfy the domestic liquidity requirements of the Company.

The Company obtains short-term borrowings primarily through bank call loans. Bank call loans are generally payable on demand and bear interest at various rates not exceeding the broker call rate. At September 30, 2014, bank call loans were $135.5 million ($118.2 million at December 31, 2013 and $94.8 million at September 30, 2013). The average bank loan outstanding for the three and nine months ended September 30, 2014 was $84.4 million and $120.6 million, respectively ($174.6 million and $184.4 million for the three and nine months ended September 30, 2013). The largest bank loan outstanding for the three and nine months ended September 30, 2014 was $169.1 million and $247.9 million, respectively ($266.3 million and $392.3 million for the three and nine months ended September 30, 2013, respectively). The average weighted interest rate on bank call loans applicable on September 30, 2014 was 1.27%.

At September 30, 2014, securities loaned balances totaled $164.1 million ($211.6 million at December 31, 2013 and $251.8 million at September 30, 2013). The average daily securities loan balance for the three and nine months ended September 30, 2014 was $151.3 million and $205.0 million, respectively ($230.2 million and $217.1 million for the three and nine months ended September 30, 2013, respectively). The largest stock loan balance for three and nine months ended September 30, 2014 was $212.3 million and $293.4 million, respectively ($292.9 million for both the three and nine months ended September 30, 2013).

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

Certain of the Company’s repurchase agreements and reverse repurchase agreements are carried at fair value as a result of the Company’s fair value option election. The Company elected the fair value option for those repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date. The Company has elected the fair value

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option for these instruments to more accurately reflect market and economic events in its earnings and to mitigate a potential imbalance in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. At September 30, 2014, the fair value of the reverse repurchase agreements and repurchase agreements were $250.0 million and $nil, respectively.

At September 30, 2014, the gross balances of reverse repurchase agreements and repurchase agreements were $349.7 million and $788.0 million, respectively. The average daily balance of reverse repurchase agreements and repurchase agreements on a gross basis for the three months ended September 30, 2014 was $396.9 million and $938.6 million, respectively ($3.8 billion and $4.3 billion, respectively, for the three months ended September 30, 2013). The largest amount of reverse repurchase agreements and repurchase agreements outstanding on a gross basis during the three months ended September 30, 2014 was $732.4 million and $1.1 billion, respectively ($6.1 billion and $6.7 billion, respectively, for the three months ended September 30, 2013).

At September 30, 2014, the notional value of the repo-to-maturity was $nil. The average balance for the repo-to-maturity for the three months ended September 30, 2014 was $nil. At September 30, 2014, the gross leverage ratio was 5.4.

OMHHF, which is engaged in commercial mortgage origination and servicing, has obtained an uncommitted warehouse facility line through PNC Bank (“PNC”) under which OMHHF pledges Federal Housing Administration (“FHA”)-guaranteed mortgages for a period averaging 15 business days and PNC table funds the principal payment to the mortgagee. At September 30, 2014, OMHHF had $20.1 million outstanding under the warehouse facility line at a variable interest rate of 1 month LIBOR plus a spread. Interest expense for the three and nine months ended September 30, 2014 was $181,000 and $400,000 respectively ($183,000 and $616,000, respectively, for the three and nine months ended September 30, 2013).

As discussed in “Other Regulatory Matters” and “Results of Operations” above, the Company’s operating results during the first and second quarters of 2014 have been significantly impacted by charges associated with regulatory matters. Any settlement of these matters with the regulators and any payment(s) due will have to be funded by the Company out of the results of operations for any such period, cash held and available for such payment, credit available under the Company’s uncommitted bank lines, and/or changes in the holdings of the Company on its balance sheet based on the amount that is ultimately due to be paid and the timing of any such payment.

The settlement of these or other regulatory matters could have an adverse effect on the Company’s liquidity depending on the size, composition and timing of any such settlement.

Liquidity Management

The Company manages its need for liquidity on a daily basis to ensure compliance with regulatory requirements. The Company’s liquidity needs may be affected by market conditions, increased inventory positions, business expansion and other unanticipated occurrences. In the event that existing financial resources do not satisfy the Company’s needs, the Company may have to seek additional external financing. The availability of such additional external financing may depend on market factors outside the Company’s control.

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

Funding Risk

(Expressed in thousands)

	For the Nine Months Ended September 30,	
	2014	2013
Cash provided by operating activities	$13,737	$22,948
Cash used in investing activities	(3,366)	(12,642)
Cash used in financing activities	(30,723)	(40,315)
Net decrease in cash and cash equivalents	$(20,352)	$(30,009)

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Management believes that funds from operations, combined with the Company's capital base and available credit facilities, are sufficient for the Company's liquidity needs in the foreseeable future. Changes in capital requirements under international standards that will impact the costs and relative returns on loans may cause banks including those with whom the Company relies to back away from providing funding to the securities industry. Such a development might impact the Company's ability to finance its day to day activities or increase the costs to acquire funding. The Company may or may not be able to pass such increased funding costs on to its clients. (See "Factors Affecting 'Forward-Looking Statements'").

Other Matters

On August 29, 2014, the Company paid cash dividends of $0.11 per share of Class A and Class B Stock totaling approximately $1.5 million from available cash on hand.

On October 30, 2014, the Board of Directors declared a regular quarterly cash dividend of $0.11 per share of Class A and Class B Stock payable on November 28, 2014 to stockholders of record on November 14, 2014.

The book value of the Company's Class A and Class B Stock was $38.63 at September 30, 2014 compared to $37.68 at September 30, 2013, based on total outstanding shares of 13,630,368 and 13,542,439, respectively.

The diluted weighted average number of shares of Class A and Class B Stock outstanding for the three months ended September 30, 2014 was 14,297,442 compared to 14,171,802 outstanding for the same period in 2013.

Off-Balance Sheet Arrangements

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. 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 Regulators and client related legal settlements and awards to purchase ARS, as of September 30, 2014, the Company purchased and holds (net of redemptions) approximately $94.8 million in ARS from its clients. In addition, the Company is committed to purchase another $13.1 million from clients through 2016 under legal settlements and awards.

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

the final determination of which Purchase Offer scenario to implement. The terms of settlements provide that the amount of ARS to be purchased during any period shall not risk placing the Company in violation of regulatory requirements.

Outside of the settlements with the Regulators, the Company has also reached various legal settlements with clients and received unfavorable legal awards requiring it to purchase ARS. The terms and conditions including the ARS amounts committed to be purchased under legal settlements are based on the specific facts and circumstances of each legal proceeding. In most instances, the purchase commitments are in increments and extend over a period of time. At September 30, 2014, no ARS purchase commitments related to legal settlements extended past 2016. To the extent the Company receives an unfavorable award, the Company usually must purchase the ARS provided for by the award within 30 days of the rendering of the award. The ultimate amount of ARS to be repurchased by the Company under both the settlements with Regulators and the legal settlements and awards cannot be predicted with any certainty and will be impacted by redemptions by issuers, the Company’s financial and regulatory constraints, and legal and other actions by clients during the relevant period, which also cannot be predicted.

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The ARS positions that the Company owns and are committed to purchase primarily represent auction rate preferred securities issued by closed-end funds and, to a lesser extent, municipal auction rate securities which are municipal bonds wrapped by municipal bond insurance and student loan auction rate securities which are asset-backed securities backed by student loans. At September 30, 2014, the amount of ARS held by the Company that was below investment grade was $3.6 million and the amount of ARS that was unrated was $75,000.

(Expressed in thousand)
Auction Rate Securities Owned and Committed to Purchase at September 30, 2014

Product	Principal	Valuation Adjustment	Fair Value
Auction Rate Securities (“ARS”) Owned [1]	$94,800	$7,477	$87,323
ARS Commitments to Purchase Pursuant to: [2][3]			
Settlements with the Regulators [4]	—	—	—
Legal Settlements and Awards [5]	13,072	1,037	12,035
Total	$107,872	$8,514	$99,358

(1) Principal amount represents the par value of the ARS and is included in securities owned in the condensed consolidated balance sheet at September 30, 2014. The valuation adjustment amount is included as a reduction to securities owned in the condensed consolidated balance sheet at September 30, 2014.
(2) Principal amount represents the present value of the ARS par value that the Company is committed to purchase at a future date. This principal amount is presented as an off-balance sheet item. The valuation adjustment amount is included in accounts payable and other liabilities on the condensed consolidated balance sheet at September 30, 2014.
(3) Specific ARS to be purchased under ARS Purchase Commitments are unknown until the beneficial owner selects the individual ARS to be purchased.
(4) Commitments to purchase under settlements with the Regulators at September 30, 2014. Eligible Investors for future buybacks under the settlements with the Regulators held approximately $106.1 million of ARS as of September 30, 2014.
(5) Commitments to purchase under various legal settlements and awards with clients through 2016.

Per the above table, the Company has recorded a valuation adjustment on its ARS owned and ARS purchase commitments of $8.5 million as of September 30, 2014. The valuation adjustment is comprised of $7.5 million which represents the difference between the principal value and the fair value of the ARS the Company owns as of September 30, 2014 and $1.0 million which represents the difference between the principal value and the fair value of the ARS the Company is committed to purchase under the settlements with the Regulators and legal settlements and awards. As of September 30, 2014, the Company did not have any outstanding ARS purchase commitments related to the settlements with Regulators. However, Eligible Investors for future buybacks under the settlements with Regulators held approximately $106.1 million of ARS as of September 30, 2014. Since the Company was not committed to purchase this amount as of September 30, 2014, there were no valuation adjustments booked to recognize the difference between the principal value and the fair value for this remaining amount.

On October 30, 2014, the Company and CIBC reached an agreement pursuant to which the Company will pay the disputed $25.0 million, which as previously reported had been fully reserved and placed in an escrow by the Company with an escrow agent, as well as certain related costs to CIBC and CIBC agreed to dismiss the arbitration. On October 31, 2014, the Company paid these amounts to CIBC. See "Legal Proceedings – Other Pending Matters."

Additional information concerning the Company’s off-balance sheet arrangements is included in Note 5 to the condensed consolidated financial statements.

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Contractual and Contingent Obligations

The following table sets forth the Company's contractual and contingent commitments as of September 30, 2014:
(Expressed in millions)

	Total	Less than 1 year	1-3 Years	3-5 Years	More than 5 Years
Minimum rentals	$309	$40	$73	$61	$135
Committed Capital	5	5	—	—	—
Earn-Out (1)	25	25	—	—	—
Senior Secured Notes (2)	202	13	26	163	—
ARS Purchase Commitments (3)	13	11	2	—	—
Total	$554	$94	$101	$224	$135

(1) As noted above in the Liquidity section, this amount was paid on October 31, 2014.
(2) Includes interest payable of $52.5 million through maturity.
(3) Represents payments to be made pursuant to the ARS settlements entered into with the Regulators in February 2010 as well as commitments to purchase ARS as a result of settlements with the Regulators and legal settlements and awards.

Inflation

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

Factors Affecting "Forward-Looking Statements"

From time to time, the Company may publish "Forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act or make oral statements that constitute forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, projected ventures, new products, anticipated market performance, and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company cautions readers that a variety of factors could cause the Company's actual results to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. These risks and uncertainties, many of which are beyond the Company's control, include, but are not limited to: (i) transaction volume in the securities markets, (ii) the volatility of the securities markets, (iii) fluctuations in interest rates, (iv) changes in regulatory requirements which could affect the cost and method of doing business and reduce returns, (v) fluctuations in currency rates, (vi) general economic conditions, both domestic and international, (vii) changes in the rate of inflation and the related impact on the securities markets, (viii) competition from existing financial institutions and other participants in the securities markets, (ix) legal developments affecting the litigation experience of the securities industry and the Company, including developments arising from the failure of the Auction Rate Securities markets, the trading of low-priced securities, stepped up enforcement efforts by the SEC, FinCEN and other regulators and the results of pending litigation involving the Company, (x) changes in federal and state tax laws which could affect the popularity of products sold by the Company or impose taxes on securities transactions, (xi) the effectiveness of efforts to reduce costs and eliminate overlap, (xii) war and nuclear confrontation as well as political unrest and regime changes and

health epidemics, (xiii) the Company's ability to achieve its business plan, (xiv) corporate governance issues, (xv) the impact of the credit crisis and tight credit markets on business operations, (xvi) the effect of bailout, financial reform and related legislation including, without limitation, the Dodd-Frank Act and the Volcker Rule and the rules and regulations thereunder, (xvii) the consolidation of the banking and financial services industry, (xviii) the effects of the economy on the Company's ability to find and maintain financing options and liquidity, (xix) credit, operations, legal and regulatory risks, (xx) risks related to foreign operations, (xxi) risks related to the downgrade of U.S. long-term sovereign debt obligations and the sovereign debt of European nations, (xxii) risks related to the manipulation of LIBOR and concerns over high speed trading, (xxiii) the effects of Hurricane Sandy and the relocation of critical Company personnel, (xxiv) risks related to the lowering by S&P of its rating on the Company and on the Notes, and (xxv) risks related to pending election results, Congressional gridlock, government shutdowns and threats of default by the federal government. There can be no assurance that the Company has correctly or completely identified and assessed all of the

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factors affecting the Company's business. The Company does not undertake any obligation to publicly update or revise any forward-looking statements. See Item 1A – "Risk Factors" appearing in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the nine months ended September 30, 2014, there were no material changes to the information contained in Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 4. Controls and Procedures

The Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures as defined in Rule 13a–15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or its internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision–making can be faulty and that break-downs can occur because of a simple error or omission. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost–effective control system, misstatements due to error or fraud may occur and not be detected. The Company confirms that its management, including its Chief Executive Officer and its Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in its reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC.

Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the nine months ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Many aspects of the Company's business involve substantial risks of liability. In the normal course of business, the Company has been the subject of customer complaints and has been named as a defendant or co-defendant in various lawsuits or arbitrations creating substantial exposure. The incidences of these types of claims have increased since the onset of the credit crisis in 2008 and the resulting market disruptions. The Company is also involved from time to time in certain governmental and self-regulatory agency investigations and proceedings. These proceedings arise primarily from securities brokerage, asset management and investment banking activities. There has been an increased incidence of regulatory investigations in the financial services industry in recent years, including customer claims, which seek substantial penalties, fines or other monetary relief. The SEC, amongst other regulators, has announced its intention to bring more regulatory cases seeking substantial penalties in the future.

While the ultimate resolution of routine pending litigation and other matters cannot be currently determined, in the opinion of management, after consultation with legal counsel, the Company does not believe that the resolution of these matters will have a material adverse effect on its financial condition. However, the Company's results of operations could be materially affected during any period if liabilities in that period differ from prior estimates.

Notwithstanding the foregoing, an adverse result in any of the matters set forth below or multiple adverse results in arbitrations and litigations currently filed or to be filed against the Company, including arbitrations and litigations relating to auction rate securities, could have a material adverse effect on the Company's results of operations and financial condition, including its cash position.

The materiality of legal matters to the Company's future operating results depends on the level of future results of operations as well as the timing and ultimate outcome of such legal matters. See "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013 as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory and Legal Environment – Other Regulatory Matters and – Other Matters" as well as "Factors Affecting 'Forward-Looking Statements'" herein.

In accordance with applicable accounting guidance, the Company establishes reserves for litigation and regulatory matters when those matters present loss contingencies that are both probable and reasonably estimable. When loss contingencies are not both probable and reasonably estimable, the Company does not establish reserves. In some of the matters described below, loss contingencies are not probable and reasonably estimable in the view of management and, accordingly, reserves have not been established for those matters. For certain cases, the Company does not believe that an estimate can currently be made. Any loss estimates are based on various factors, including the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the numerous yet-unresolved issues in many of the proceedings and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate.

Auction Rate Securities Matters

For a number of years, the Company offered auction rate securities ("ARS") to its clients. A significant portion of the market in ARS 'failed' in February 2008 due to credit market conditions, and dealers were no longer willing or able to purchase the imbalance between supply and demand for ARS. Oppenheimer offered ARS to its clients in the same manner as dozens of other "downstream" firms in the ARS marketplace – as an available cash management option for clients seeking to increase their yields on short-term investments similar to a money market fund. The Company

believes that Oppenheimer's participation therefore differs dramatically from that of the larger broker-dealers who underwrote and provided supporting bids in the auctions, actions Oppenheimer never undertook. Oppenheimer played no role in any decision by the lead underwriters or broker-dealers to discontinue entering support bids and allowing auctions to fail. See "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013 as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations – Business Environment – Other Regulatory Matters and – Other Matters" herein.

As previously disclosed, Oppenheimer, without admitting or denying liability, entered into a Consent Order (the "Order") with the Massachusetts Securities Division (the "MSD") pursuant to the Massachusetts Uniform Securities Act on February 26, 2010 settling a pending administrative proceeding against the respondents related to Oppenheimer's sales of ARS to retail and other investors in the Commonwealth of Massachusetts.

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As previously disclosed, on February 23, 2010, the New York Attorney General ("NYAG" and together with the MSD, the "Regulators") accepted Oppenheimer's offer of settlement and entered an Assurance of Discontinuance ("AOD") pursuant to New York State Executive Law Section 63(15) in connection with Oppenheimer's marketing and sale of ARS. Oppenheimer did not admit or deny any of the findings or allegations contained in the AOD and no fine was imposed.

Pursuant to the terms of the Order, Oppenheimer commenced and closed three offers to purchase Eligible ARS (as defined in the Order) from Customer Accounts (as defined in the Order) during 2010 and 2011 with the final offer closing on April 7, 2011. In addition, pursuant to the terms of the AOD, the Company has made seven offers to purchase ARS from Eligible Investors between the periods May 21, 2010 and December 13, 2013. The Company commenced an eighth offer to purchase on March 28, 2014 which expired on June 11, 2014. The Company's purchases of ARS from clients have continued and will, subject to the terms and conditions of the AOD, continue on a periodic basis. Accounts were, and will continue to be, aggregated on a "household" basis for purposes of these offers. As of September 30, 2014, the Company had purchased and holds (net of redemptions) approximately $94.8 million of ARS pursuant to the settlements with the Regulators and legal settlements and awards.

Oppenheimer has agreed with the NYAG that it will offer to purchase Eligible ARS from Eligible Investors who did not receive an initial purchase offer, periodically, as excess funds become available to Oppenheimer after giving effect to the financial and regulatory capital constraints applicable to Oppenheimer, until Oppenheimer has extended a purchase offer to all Eligible Investors. Such offers will remain open for a period of seventy-five days from the date on which each such offer to purchase is sent. The ultimate amount of ARS to be repurchased by the Company cannot be predicted with any certainty and will be impacted by redemptions by issuers and client actions during the period, which also cannot be predicted.

In addition, Oppenheimer has agreed to work with issuers and other interested parties, including regulatory and other authorities and industry participants, to provide liquidity solutions for other Massachusetts clients not covered by the offers to purchase. In that regard, on May 21, 2010, Oppenheimer offered such clients a margin loan against marginable collateral with respect to such account holders' holdings of Eligible ARS. As of September 30, 2014, Oppenheimer had extended margin loans to six holders of Eligible ARS from Massachusetts.

Further, Oppenheimer has agreed to (1) no later than 75 days after Oppenheimer has completed extending a purchase offer to all Eligible Investors (as defined in the AOD), use its best efforts to identify any Eligible Investor who purchased Eligible ARS (as defined in the AOD) and subsequently sold those securities below par between February 13, 2008 and February 23, 2010 and pay the investor the difference between par and the price at which the Eligible Investor sold the Eligible ARS, plus reasonable interest thereon (the "ARS Losses"); (2) no later than 75 days after Oppenheimer has completed extending a Purchase Offer to all Eligible Investors, use its best efforts to identify Eligible Investors who took out loans from Oppenheimer after February 13, 2008 that were secured by Eligible ARS that were not successfully auctioning at the time the loan was taken out from Oppenheimer and who paid interest associated with the ARS-based portion of those loans in excess of the total interest and dividends received on the Eligible ARS during the duration of the loan (the "Loan Cost Excess") and reimburse such investors for the Loan Cost Excess plus reasonable interest thereon; (3) upon providing liquidity to all Eligible Investors, participate in a special arbitration process for the exclusive purpose of arbitrating any Eligible Investor's claim for consequential damages against Oppenheimer related to the investor's inability to sell Eligible ARS; and (4) work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors not within the definition of Small Businesses and Institutions (as defined in the AOD) that held ARS in Oppenheimer brokerage accounts on February 13, 2008. Oppenheimer believes that because Items (1) through (3) above will occur only after it has provided liquidity to all Eligible Investors, it will take an extended period of time before the requirements of Items (1) through (3) will take effect.

Each of the AOD and the Order provides that in the event that Oppenheimer enters into another agreement that provides any form of benefit to any Oppenheimer ARS customer on terms more favorable than those set forth in the AOD or the Order, Oppenheimer will immediately extend the more favorable terms contained in such other agreement to all eligible investors. The AOD further provides that if Oppenheimer pays (or makes any pledge or commitment to pay) to any governmental entity or regulator pursuant to any other agreement costs or a fine or penalty or any other monetary amount, then an equivalent payment, pledge or commitment will become immediately owed to the State of New York for the benefit of New York residents.

If Oppenheimer fails to comply with any of the terms set forth in the Order, the MSD may institute an action to have the Order declared null and void and reinstitute the previously pending administrative proceedings. If Oppenheimer defaults on any obligation under the AOD, the NYAG may terminate the AOD, at his sole discretion, upon 10 days written notice to Oppenheimer.

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Reference is made to the Order and the AOD, each as described in Item 3 of the Company's Annual Report on Form 10-K for the year ended December 31, 2009 and attached thereto as Exhibits 10.24 and 10.22 respectively, as well as the subsequent disclosures related thereto in the Company's Quarterly Reports on Form 10-Q for the quarters ended March 31, 2010 through June 30, 2014 and in the Company's Annual Reports on Form 10-K for the years ended December 31, 2010 through and including 2013, for additional details of the agreements with the MSD and NYAG. The Company is continuing to cooperate with investigating entities from states other than Massachusetts and New York.

In connection with a case formerly brought by U.S. Airways on July 10, 2009, Oppenheimer asserted a third party statement of claim against Deutsche Bank Securities, Inc. ("DBSI") and Deutsche Bank A.G. ("Deutsche AG"). Deutsche AG challenged Oppenheimer's efforts to compel Deutsche AG to appear at a FINRA arbitration since, Deutsche AG argued, it is not a FINRA member. Subsequently, Oppenheimer deferred further action against Deutsche AG and proceeded prosecuting its third party claim against DBSI. DBSI subsequently filed a motion to sever the arbitration into a separate proceeding which motion was granted on July 28, 2010. On January 28, 2011, DBSI filed a motion to stay the DBSI arbitration which motion was granted on May 25, 2011. As a result of the award in favor of U.S. Airways in January 2013, the stay was lifted and Oppenheimer began prosecuting its claim in arbitration against DBSI in an effort to, among other things, recover in full the amount of $30.0 million including interest paid to U.S. Airways plus all associated costs. The arbitration commenced on May 5, 2014 and will likely continue through the fourth quarter of 2014. There can be no assurance Oppenheimer will prevail in the arbitration against DBSI or that it will recover any or all of the amounts paid by Oppenheimer to U.S. Airways.

In addition to the ARS case discussed above, as of September 30, 2014, Oppenheimer and certain affiliated parties are currently named as a defendant or respondent in approximately two arbitration claims before FINRA, as well as one court action brought by individuals and entities who purchased ARS through Oppenheimer in amounts ranging from $225,000 to $2.1 million, seeking awards compelling Oppenheimer to repurchase such ARS or, alternatively, awards rescinding such sales, based on a variety of causes of action. The Company has filed, or is in the process of filing, its responses to such claims and has participated in or is awaiting hearings regarding such claims before FINRA or in the court action. As of September 30, 2014, ten ARS matters were concluded in either court or arbitration with Oppenheimer prevailing in four of those matters and the claimants prevailing in six of those matters. The Company has purchased approximately $7.6 million in ARS from the prevailing claimants in those six actions. In addition, the Company has made cash payments of approximately $12.7 million as a result of legal settlements with clients. Oppenheimer believes it has meritorious defenses to the claims in the pending arbitrations and court action and intends to vigorously defend against these claims. Oppenheimer may also implead third parties, including underwriters, where it believes such action is appropriate. It is possible that other individuals or entities that purchased ARS from Oppenheimer may bring additional claims against Oppenheimer in the future for repurchase or rescission.

See Item 1A, "Risk Factors – The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013 and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory and Legal Environment – Other Regulatory Matters and – Other Matters" herein.

Other Pending Matters

On or about March 13, 2008, Oppenheimer was served in a matter pending in the United States Bankruptcy Court, Northern District of Georgia, captioned William Perkins, Trustee for International Management Associates v. Lehman Brothers, Oppenheimer & Co. Inc., JB Oxford & Co., Bank of America Securities LLC and TD Ameritrade Inc. The Trustee seeks to set aside as fraudulent transfers in excess of $25.0 million in funds embezzled by the sole portfolio manager for International Management Associates, a hedge fund. Said portfolio manager purportedly used the broker dealer defendants, including Oppenheimer, as conduits for his embezzlement. Oppenheimer filed its answer to the

complaint on June 18, 2010. Oppenheimer filed a motion for summary judgment, which was argued on March 31, 2011. Immediately thereafter, the Bankruptcy Court dismissed all of the Trustee's claims against all defendants including Oppenheimer. In June 2011, the Trustee filed an appeal with the United States District Court for the Northern District of Georgia (U.S.N.D. GA). In addition, on June 10, 2011, the Trustee filed a petition for permission to appeal the dismissal to the United States Court of Appeals for the Eleventh Circuit. On July 27, 2011, the Court of Appeals for the Eleventh Circuit denied the Trustee's Petition. The Trustee then appealed to U.S.N.D. GA. On March 30, 2012, the U.S.N.D. GA affirmed in part and reversed in part the ruling from the Bankruptcy Court and remanded the matter to the Bankruptcy Court. Discovery has closed and Oppenheimer filed a motion for summary judgment at the end of February 2014. Oppenheimer believes that as a result of previous court rulings in this matter, the claimed damages against Oppenheimer have been substantially reduced and that it has meritorious defenses to the remaining claims made against it and intends to defend itself vigorously.

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On June 24, 2011, Oppenheimer was served with a petition in a matter pending in state court in Collin County, Texas captioned Jerry Lancaster, Providence Holdings, Inc., Falcon Holdings, LLC and Derek Lancaster v. Oppenheimer & Co., Inc., Oppenheimer Trust Company, Charles Antonuicci, Alan Reichman, John Carley, Park Avenue Insurance, LLC and Park Avenue Bank. The action requests unspecified damages, including exemplary damages, for Oppenheimer's alleged breach of fiduciary duty, negligent hiring, fraud, conversion, conspiracy, breach of contract, unjust enrichment and violation of the Texas Business and Commerce Code. The first amended petition alleges that Oppenheimer held itself out as having expertise in the insurance industry generally and managing insurance companies' investment portfolios but inappropriately allowed plaintiffs' bond portfolios to be used by Park Avenue Insurance Company to secure the sale of Providence Property and Casualty Insurance Company to Park Avenue Insurance Company. On July 22, 2011, defendants removed the case to the United States District Court for the Eastern District of Texas, Sherman Division, and subsequently moved to dismiss or transfer the action. On October 5, 2011 plaintiffs filed a voluntary dismissal without prejudice. On the same date, Oppenheimer and Oppenheimer Trust Company agreed to suspend the running of any applicable statute of limitations defense for one year. Just prior to the expiration of the one-year tolling agreement, on October 3, 2012, Providence Holdings, Inc. filed a new action in the United States District Court for the Eastern Division of Texas against Oppenheimer, Oppenheimer Trust Company, and two individuals, re-asserting basically the same claims. On December 18, 2012, Oppenheimer and Oppenheimer Trust Company filed motions (i) to dismiss the new complaint and (ii) to stay the action pending resolution of all claims among the parties in the action pending in Oklahoma styled State of Oklahoma ex rel. Holland v. Providence Holdings, Inc. In response to the motions, plaintiffs' counsel voluntarily agreed to stay their action until the resolution of all claims among the parties in the Oklahoma action. On March 18, 2013, the Texas court issued an order formally approving the parties' stipulation to stay the action. On April 15, 2011, in an action styled State of Oklahoma ex rel. Holland v. Providence Holdings, Inc., et al., in the Oklahoma County District Court, Providence Holdings, Inc. and Jerry Lancaster asserted cross-claims against Oppenheimer and Oppenheimer Trust Company Inc. related to the same facts at issue in the Texas litigation discussed above. These cross-claims included claims for breach of fiduciary duty, various theories of fraud, violation of Texas commercial statutes, breach of contract, interference with prospective business advantage, and loss of business opportunity and sought undisclosed damages.
Oppenheimer believes it has meritorious defenses to the claims raised and intends to defend against these claims vigorously including pursuing dismissal of the claims against it.

On March 15, 2013, the Company filed in the Supreme Court of the State of New York, County of New York ("New York Court"), a breach of contract action against Canadian Imperial Bank of Commerce ("CIBC") in connection with the Company's acquisition of CIBC's U.S. capital markets businesses for an amount of damages to be proven at trial. As part of the transaction, the parties had provided for a deferred purchase price based on an agreed formula or a minimum payment of $25.0 million. The deferred purchase price amount would have been otherwise due in April 2013 absent the breach of the agreements governing the sale of the business asserted by the Company in its complaint. The agreed-upon formula did not result in any additional payments and thus the minimum payment amount of $25.0 million is in dispute. The Company has deposited the $25.0 million in escrow pending the outcome of the legal proceedings and the expense related to the deferred purchase price was charged to earnings by the Company over the life of the agreement and was fully accrued for at the end of December 2012. On January 31, 2014, the Company filed an amended complaint. On March 13, 2014, CIBC filed a motion to dismiss portions of the Company's amended complaint. The motion to dismiss is fully briefed and is pending before the court. Discovery in the case is proceeding.

On June 6, 2013, CIBC filed a demand for arbitration with the American Arbitration Association seeking an award of the $25.0 million deferred purchase price, along with interest and costs. On October 30, 2014, the Company and CIBC reached an agreement pursuant to which the Company will pay the disputed $25.0 million, which as previously reported had been fully reserved and placed in an escrow by the Company with an escrow agent, as well as certain related costs to CIBC and CIBC agreed to dismiss the arbitration. On October 31, 2014, the Company paid these amounts to CIBC. The Company's action against CIBC will continue in the New York Court as more fully described above. See also "Management's Discussion and Analysis of Financial Condition and Results of Operations – Regulatory

and Legal Environment – Other Regulatory Matters."

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Item 1A. Risk Factors

During the nine months ended September 30, 2014, there were no material changes to the information contained in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

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

(a) During the third quarter of 2014, the Company issued 11,562 shares of Class A Stock pursuant to the Company's share-based compensation programs for no cash consideration.
(b) Not applicable.
(c) Not applicable.

Item 6. Exhibits

31.1	Certification of Albert G. Lowenthal
31.2	Certification of Jeffrey J. Alfano
32	Certification of Albert G. Lowenthal and Jeffrey J. Alfano
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013, (ii) the Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2014 and 2013, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013, (iv) the Condensed Consolidated Statements of Changes in Stockholders' Equity for the nine months ended September 30, 2014 and 2013, (v) the Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013, and (vi) the notes to the Condensed Consolidated Financial Statements.*

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, in the City of New York, New York on this 31st day of October, 2014.

OPPENHEIMER HOLDINGS INC.

By:	/s/ Albert G. Lowenthal Albert G. Lowenthal, Chairman and Chief Executive Officer (Principal Executive Officer)
By:	/s/ Jeffrey J. Alfano Jeffrey J. Alfano, Chief Financial Officer (Principal Financial and Accounting Officer)