OPPENHEIMER HOLDINGS INC
Form 10-Q
April 26, 2019
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

(Mark One)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2019
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-12043

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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

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

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o
Emerging growth company	o		

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

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

The number of shares of the Company's Class A non-voting common stock and Class B voting common stock (being the only classes of common stock of the Company) outstanding on April 26, 2019 was 12,923,517 and 99,665 shares, respectively.

Table of Contents

OPPENHEIMER HOLDINGS INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q

		Page No.
PART I	FINANCIAL INFORMATION	
Item 1.	Financial Statements (unaudited)	
	Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018	3
	Condensed Consolidated Income Statements for the three months ended March 31, 2019 and 2018	4
	Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018	5
	Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2019 and 2018	6
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	46
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	58
Item 4.	Controls and Procedures	58
PART II	OTHER INFORMATION	
Item 1.	Legal Proceedings	59
Item 1A.	Risk Factors	62
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	62
Item 6.	Exhibits	62
	Signatures	63

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(Expressed in thousands, except number of shares and per share amounts)	March 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$83,073	$90,675
Deposits with clearing organizations	55,069	67,678
Receivable from brokers, dealers and clearing organizations	180,221	166,493
Receivable from customers, net of allowance for credit losses of $898 ($886 in 2018)	753,625	720,777
Income tax receivable	—	1,014
Securities purchased under agreements to resell	589	290
Securities owned, including amounts pledged of $390,832 ($517,951 in 2018), at fair value	911,468	837,584
Notes receivable, net of accumulated amortization and allowance for uncollectibles of $24,548 and $6,841 respectively ($25,109 and $6,800, respectively, in 2018)	43,921	44,058
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $90,974 ($89,182 in 2018)	30,728	28,988
Right-of-use lease assets, net of accumulated amortization of $6,797	171,224	—
Goodwill	137,889	137,889
Intangible assets	32,100	32,100
Other assets	127,657	112,768
Total assets	$2,527,564	$2,240,314
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Drafts payable	$13,533	$16,348
Bank call loans	—	15,000
Payable to brokers, dealers and clearing organizations	634,333	289,207
Payable to customers	334,376	336,616
Securities sold under agreements to repurchase	268,621	484,218
Securities sold but not yet purchased, at fair value	137,286	85,446
Accrued compensation	106,869	167,348
Income tax payable	1,162	—
Accounts payable and other liabilities	48,862	87,630
Lease liabilities	212,970	—
Senior secured notes, net of debt issuance costs of $840 ($904 in 2018)	199,160	199,096
Deferred tax liabilities, net of deferred tax assets of $42,309 ($41,722 in 2018)	15,905	14,083
Total liabilities	1,973,077	1,694,992
Commitments and contingencies (note 12)		
Stockholders' equity		
Share capital		
Class A non-voting common stock, par value $0.001 per share, 50,000,000 shares authorized, 12,923,517 and 12,941,809 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	52,386	53,259
Class B voting common stock, par value $0.001 per share, 99,665 shares authorized, issued and outstanding as of March 31, 2019 and December 31, 2018	133	133
	52,519	53,392

Contributed capital	41,489	41,776
Retained earnings	459,751	449,989
Accumulated other comprehensive income	728	165
Total stockholders' equity	554,487	545,322
Total liabilities and stockholders' equity	$2,527,564	$2,240,314

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

Table of Contents

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in thousands, except number of shares and per share amounts)	2019	2018
REVENUE		
Commissions	$79,409	$ 83,407
Advisory fees	73,647	77,548
Investment banking	28,043	28,210
Bank deposit sweep income	33,968	25,297
Interest	12,727	12,227
Principal transactions, net	11,438	2,726
Other	12,538	5,115
Total revenue	251,770	234,530
EXPENSES		
Compensation and related expenses	160,355	153,104
Communications and technology	20,086	18,688
Occupancy and equipment costs	15,273	15,428
Clearing and exchange fees	5,332	6,096
Interest	12,986	8,963
Other	21,686	22,630
Total expenses	235,718	224,909
Income before income taxes	16,052	9,621
Income taxes	4,858	2,916
Net income	$11,194	$ 6,705
Net income per share		
Basic	$0.86	$ 0.51
Diluted	$0.81	$ 0.48
Weighted average shares		
Basic	13,020,344	13,239,628
Diluted	13,851,321	13,977,492

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

Table of Contents

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in thousands)	2019	2018
Net income	$11,194	$6,705
Other comprehensive income (loss), net of tax		
Currency translation adjustment	563	(142)
Comprehensive income	$11,757	$6,563

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

Table of Contents

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in thousands)	2019	2018
Share capital		
Balance at beginning of period	$53,392	$58,492
Issuance of Class A non-voting common stock	1,162	37
Repurchase of Class A non-voting common stock for cancellation	(2,035)	—
Balance at end of period	52,519	58,529
Contributed capital		
Balance at beginning of period	41,776	36,546
Share-based expense	1,889	1,509
Vested employee share plan awards	(2,176)	(59)
Balance at end of period	41,489	37,996
Retained earnings		
Balance at beginning of period	449,989	427,295
Net income	11,194	6,705
Dividends paid ($0.11 per share)	(1,432)	(1,456)
Balance at end of period	459,751	432,544
Accumulated other comprehensive income		
Balance at beginning of period	165	1,582
Currency translation adjustment	563	(142)
Balance at end of period	728	1,440
Total stockholders' equity	$554,487	$530,509

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

Table of Contents

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in thousands)	2019	2018
Cash flows from operating activities		
Net income	$11,194	$6,705
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Non-cash items included in net income:		
Depreciation and amortization of furniture, equipment and leasehold improvements	1,708	1,542
Deferred income taxes	1,894	3,043
Amortization of notes receivable	3,388	3,205
Amortization of debt issuance costs	64	65
Provision for credit losses	12	40
Share-based compensation	3,042	1,484
Decrease (increase) in operating assets:		
Deposits with clearing organizations	12,609	(28,716)
Receivable from brokers, dealers and clearing organizations	(13,728)	15,985
Receivable from customers	(32,860)	(33,755)
Income tax receivable	1,014	(193)
Securities purchased under agreements to resell	(299)	658
Securities owned	(73,884)	(73,030)
Notes receivable	(3,251)	(5,071)
Other assets	(14,326)	21,395
Increase (decrease) in operating liabilities:		
Drafts payable	(2,815)	(21,419)
Payable to brokers, dealers and clearing organizations	345,126	43,643
Payable to customers	(2,240)	59,178
Income taxes payable	1,162	—
Securities sold under agreements to repurchase	(215,597)	(10,461)
Securities sold but not yet purchased	51,840	53,400
Accrued compensation	(61,633)	(69,340)
Accounts payable and other liabilities	2,907	4,099
Cash provided by (used in) operating activities	15,327	(27,543)
Cash flows from investing activities		
Purchase of furniture, equipment and leasehold improvements	(3,448)	(2,696)
Purchase of intangible assets	—	(400)
Cash used in investing activities	(3,448)	(3,096)
Cash flows from financing activities		
Cash dividends paid on Class A non-voting and Class B voting common stock	(1,432)	(1,456)
Repurchase of Class A non-voting common stock for cancellation	(2,035)	—
Payments for employee taxes withheld related to vested share-based awards	(1,014)	(2,444)
(Decrease) increase in bank call loans, net	(15,000)	29,100
Cash (used in) provided by financing activities	(19,481)	25,200
Net decrease in cash and cash equivalents	(7,602)	(5,439)
Cash and cash equivalents, beginning of period	90,675	48,154
Cash and cash equivalents, end of period	$83,073	$42,715
Schedule of non-cash financing activities		
Employee share plan issuance	$1,706	$37

Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$9,385	$12,578
Cash paid during the period for income taxes, net	$792	$100

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

7

Table of Contents

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

1. Organization

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

The Company has 94 retail branch offices in the United States and has institutional businesses located in London, Tel Aviv, and Hong Kong. The principal subsidiaries of OPY are Oppenheimer & Co. Inc. ("Oppenheimer"), a registered broker-dealer in securities and investment adviser under the Investment Advisers Act of 1940; Oppenheimer Asset Management Inc. ("OAM") and its wholly-owned subsidiary, Oppenheimer Investment Management LLC, both registered investment advisers under the Investment Advisers Act of 1940; Oppenheimer Trust Company of Delaware ("Oppenheimer Trust"), a limited purpose trust company that provides fiduciary services such as trust and estate administration and investment management; OPY Credit Corp., which offers syndication as well as trading of issued corporate loans; Oppenheimer Europe Ltd., based in the United Kingdom, with offices in the Isle of Jersey, Germany and Switzerland, which provides institutional equities and fixed income brokerage and corporate finance and is regulated by the Financial Conduct Authority; Oppenheimer Investments Asia Limited, based in Hong Kong, China, which provides fixed income and equities brokerage services to institutional investors and is regulated by the Securities and Futures Commission; and Oppenheimer Multifamily Housing & Healthcare Finance, Inc. ("OMHHF"), which was formerly engaged in Federal Housing Administration ("FHA")-insured commercial mortgage origination and servicing. During 2016, the Company sold substantially all of the assets of OMHHF and ceased its operations. Oppenheimer owns Freedom Investments, Inc. ("Freedom"), a registered broker dealer in securities, which provides discount brokerage services, and Oppenheimer Israel (OPCO) Ltd., which is engaged in offering investment services in the State of Israel. Oppenheimer holds a trading permit on the New York Stock Exchange and is a member of several other regional exchanges in the United States.

2. Summary of significant accounting policies and estimates

Basis of Presentation

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

amounts that are reported in the financial statements and the accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions that the Company may undertake in the future, actual results may differ materially from the estimates. The condensed consolidated results of operations for the three month period ended March 31, 2019 are not necessarily indicative of the results to be expected for any future interim or annual period.

Table of Contents

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

Recently Issued Accounting Pronouncements

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

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

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement - Disclosure Framework - Changes to the Disclosure Requirements for the Fair Value Measurement," which modifies the disclosure requirements related to fair value measurement. The ASU is effective for fiscal years and interim periods beginning after December 15, 2019 and early adoption is permitted. The Company will not early adopt this ASU. The Company is currently evaluating the impact, if any, of the ASU on the Company's disclosure.

Table of Contents

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

3. Leases

In the first quarter of 2019, the Company adopted ASU 2016-02, "Leases". The ASU requires the recognition of a right-of use asset and lease liability on the consolidated balance sheet by lessees for those leases classified as operating leases under previous guidance. The Company elected the modified retrospective method which did not result in a cumulative-effect adjustment at the date of adoption.

The Company and its subsidiaries have operating leases for office space and equipment expiring at various dates through 2034. The Company leases its corporate headquarters at 85 Broad Street, New York, New York which houses their executive management team and many administrative functions for the firm as well as their research, trading, investment banking, and asset management divisions and an office in Troy, Michigan, which among other things, houses its payroll and human resources departments. In addition, the Company has 94 retail branch offices in the United States as well as offices in London, England, St. Helier, Jersey, Geneva, Switzerland, Frankfurt, Germany, Tel Aviv, Israel and Hong Kong, China.

The majority of the leases are held by the Company's subsidiary, Viner Finance Inc., which is a consolidated subsidiary and 100% owned by the Company.

Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Most leases include an option to renew and the exercise of lease renewal options is at our sole discretion. The Company did not include the renewal options as part of the right of use assets and liabilities.

The depreciable life of assets and leasehold improvements is limited by the expected lease term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of March 31, 2019, the Company has right of use operating lease assets of 171.2 million (net of accumulated amortization of $6.8 million) which are comprised of real estate leases of $168.2 million (net of accumulated amortization of $6.3 million) and equipment leases of $3.0 million (net of accumulated amortization of $465,000). As of March 31, 2019, the Company has operating lease liabilities of 213.0 million which are comprised of real estate lease liabilities of $210.0 million and equipment lease liabilities of $3.0 million. As of March 31, 2019, the Company has not made any cash payments for amounts included in the measurement of operating lease liabilities or right of use assets obtained in exchange for operating lease obligations. The Company has no finance leases or embedded leases as of March 31, 2019.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company used the incremental borrowing rate on January 1, 2019 for operating leases that commenced prior to that date. The Company

used the incremental borrowing rate as of the lease commencement date for the operating leases commenced subsequent to January 1, 2019.

The following table presents the weighted average lease term and weighted average discount rate for our operating leases as of March 31, 2019:

	As of March 31, 2019
Weighted average remaining lease term (years)	8.76
Weighted average discount rate	7.94%

10

Table of Contents

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

The following table presents operating lease costs recognized for the three months ended March 31, 2019 which are included in occupancy and equipment costs on the condensed consolidated income statement:

(Expressed in thousands)	For the Three Months Ended March 31, 2019
Operating lease cost:	
Real estate leases - Right-of-use lease asset amortization	$ 6,332
Real estate leases - Interest expense	3,443
Equipment leases - Right-of-use lease asset amortization	465
Equipment leases - Interest expense	57

The maturities of lease liabilities as of March 31, 2019 are as follows:

(Expressed in thousands)	As of March 31, 2019
2019	$30,178
2020	40,151
2021	35,049
2022	31,503
2023	29,766
After 2024	134,299
Total lease payments	$300,946
Less interest	(87,976)
Present value of lease liabilities	$212,970

As of March 31, 2019, the Company has additional operating leases that have not yet commenced of $11.9 million. These operating leases will commence between April 1, 2019 and December 31, 2019 with lease terms of 2 years to 13 years.

In November 2016, the SEC issued a no action letter related to the treatment of operating leases under SEC Rule 15c3-1 (the “Rule”) in the context of the adoption of ASU 2016-2, “Leases” which provided relief, if certain conditions are met, to broker-dealers in the net capital treatment of operating lease assets which would otherwise be treated as a non-allowable assets. The application of this guidance resulted in no additional charges to net capital for operating leases during the first quarter of 2019.

Table of
Contents

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

4. Revenues from contracts with customers

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

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

Commissions

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

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

Advisory Fees

The Company earns management and performance (or incentive) fees in connection with the advisory and asset management services it provides to various types of funds and investment vehicles through its subsidiaries. Management fees are generally based on the account value at the valuation date per the respective asset management agreements and are recognized over time as the customer receives the benefits of the services evenly throughout the term of the contract. Performance fees are recognized when the return on client AUM exceeds a specified benchmark return or other performance targets over a 12-month measurement period. Performance fees are considered variable as they are subject to fluctuation and/or are contingent on a future event over the measurement period and are not subject to adjustment once the measurement period ends. Such fees are computed as of the fund's year-end when the measurement period ends and generally are recorded as earned in the fourth quarter of the Company's fiscal year. Both management and performance fees are generally received within 90 days.

Table of Contents

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

Investment Banking
The Company earns underwriting revenues by providing capital raising solutions for corporate clients through initial public offerings, follow-on offerings, equity-linked offerings, private investments in public entities, and private placements. Underwriting revenues are recognized at a point in time on trade date, as the client obtains the control and benefit of the capital markets offering at that point. These fees are generally received within 90 days after the transactions are completed. Transaction-related expenses, primarily consisting of legal, travel and other costs directly associated with the transaction, are deferred and recognized in the same period as the related investment banking transaction revenue. Underwriting revenues and related expenses are presented gross on the condensed consolidated income statements.
Revenue from financial advisory services includes fees generated in connection with mergers, acquisitions and restructuring transactions and such revenue and fees are primarily recorded at a point in time when services for the transactions are completed and income is reasonably determinable, generally as set forth under the terms of the engagement. Payment for advisory services is generally due upon a completion of the transaction or milestone. Retainer fees and fees earned from certain advisory services are recognized ratably over the service period as the customer receives the benefit of the services throughout the term of the contracts, and such fees are collected based on the terms of the contracts.
Bank Deposit Sweep Income
Bank deposit sweep income consists of revenue earned from the FDIC-insured bank deposit program. Under this program, client funds are swept into deposit accounts at participating banks and are eligible for FDIC deposit insurance up to FDIC standard maximum deposit insurance amounts. Fees are earned over time and are generally received within 30 days.

Disaggregation of Revenue
The following presents the Company's revenue from contracts with customers disaggregated by major business activity and other sources of revenue for the three months ended March 31, 2019:
(Expressed in thousands)

	Reportable Segments				
	Private Client	Asset Management	Capital Markets	Corporate/Other	Total
Revenues from contracts with customers:					
Commissions from sales and trading	$37,477	$ —	$32,316	$ 2	$69,795
Mutual fund income	9,614	(6)	1	5	9,614
Advisory fees	57,044	16,589	5	9	73,647
Investment banking - capital markets	2,749	—	8,593	—	11,342
Investment banking - advisory	—	—	16,701	—	16,701
Bank deposit sweep income	33,968	—	—	—	33,968
Other	3,278	—	319	256	3,853
Total revenues from contracts with customers	144,130	16,583	57,935	272	218,920

Other sources of revenue:					
Interest	9,408	—	2,835	484	12,727
Principal transactions, net	1,684	—	10,157	(403)	11,438
Other	8,305	3	34	343	8,685
Total other sources of revenue	19,397	3	13,026	424	32,850
Total revenue	$163,527	$ 16,586	$70,961	$ 696	$251,770

13

Table of Contents

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

Contract Balances

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. The Company records receivables when revenue is recognized prior to payment and it has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied.

The Company had receivables related to revenue from contracts with customers of $26.2 million and $23.7 million at March 31, 2019 and January 1, 2019, respectively. The Company had no significant impairments related to these receivables during the three months ended March 31, 2019.

Deferred revenue relates to IRA fees received annually in advance on customer's IRA accounts managed by the Company and the retainer fees and fees earned from certain advisory transactions where the performance obligations have not yet been satisfied. Total deferred revenue was $2.4 million and $318,000 at March 31, 2019 and January 1, 2019, respectively.

The following presents the Company's contract assets and deferred revenue balances from contracts with customers, which are included in other assets and other liabilities, respectively, on the condensed consolidated balance sheet:

(Expressed in thousands)

	Ending Balance at March 31, 2019	Opening Balance at January 1, 2019
Contract assets (receivables):		
Commission [(1)]	$3,201	$3,738
Mutual fund income [(2)]	6,674	7,241
Advisory fees [(3)]	863	1,214
Bank deposit sweep income [(4)]	4,521	4,622
Investment banking fees [(5)]	7,610	3,996
Other	3,341	2,869
Total contract assets	$26,210	$23,680
Deferred revenue (payables):		
Investment banking fees [(6)]	$415	$318
IRA fees	2,000	—
Total deferred revenue	$2,415	$318

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

(6) Retainer fees and fees earned from certain advisory transactions where the performance obligations have not yet been satisfied.

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

5. Earnings per share

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

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

	For the Three Months Ended March 31,	
	2019	2018
Basic weighted average number of shares outstanding	13,020,344	13,239,628
Net dilutive effect of share-based awards, treasury method (1)	830,977	737,864
Diluted weighted average number of shares outstanding	13,851,321	13,977,492
Net income	$11,194	$ 6,705
Net income per share		
Basic	$0.86	$ 0.51
Diluted	$0.81	$ 0.48

(1) For the three months ended March 31, 2019, the diluted net income per share computation does not include the anti-dilutive effect of 7,628 shares of Class A Stock granted under share-based compensation arrangements (4,050 shares for three months ended March 31, 2018).

6. Receivable from and payable to brokers, dealers and clearing organizations

(Expressed in thousands)

	As of March 31, 2019	December 31, 2018
Receivable from brokers, dealers and clearing organizations consists of:		
Securities borrowed	$109,712	$ 108,144
Receivable from brokers	17,438	20,140
Securities failed to deliver	23,524	7,021

Clearing organizations	27,874	28,777
Other	1,673	2,411
Total	$180,221	$ 166,493
Payable to brokers, dealers and clearing organizations consists of:		
Securities loaned	$232,370	$ 146,815
Payable to brokers	2,256	158
Securities failed to receive	30,064	27,799
Other	369,643	114,435
Total	$634,333	$ 289,207

Table of Contents

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

7. Fair value measurements

Securities owned, securities sold but not yet purchased, investments and derivative contracts are carried at fair value with changes in fair value recognized in earnings each period.

Valuation Techniques

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

U.S. Government Obligations

U.S. Treasury securities are valued using quoted market prices obtained from active market makers and inter-dealer brokers.

U.S. Agency Obligations

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

Sovereign Obligations

The fair value of sovereign obligations is determined based on quoted market prices when available or a valuation model that generally utilizes interest rate yield curves and credit spreads as inputs.

Corporate Debt and Other Obligations

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

Mortgage and Other Asset-Backed Securities

The Company values non-agency securities collateralized by home equity and various other types of collateral based on external pricing and spread data provided by independent pricing services. When specific external pricing is not observable, the valuation is based on yields and spreads for comparable bonds.

Municipal Obligations

The fair value of municipal obligations is estimated using recently executed transactions, broker quotations, and bond spread information.

Convertible Bonds

The fair value of convertible bonds is estimated using recently executed transactions and dollar-neutral price quotations, where observable. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves and bond spreads as key inputs.

Corporate Equities

Equity securities and options are generally valued based on quoted prices from the exchange or market where traded. To the extent quoted prices are not available, fair values are generally derived using bid/ask spreads.

Table of Contents

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

Auction Rate Securities ("ARS")
In February 2010, Oppenheimer finalized settlements with each of the New York Attorney General's office ("NYAG") and the Massachusetts Securities Division ("MSD" and, together with the NYAG, the "Regulators") concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. As of March 31, 2019, the Company had no outstanding ARS purchase commitments related to the settlements with the Regulators. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client-related legal settlements and awards to purchase ARS, as of March 31, 2019, the Company purchased and holds (net of redemptions) approximately $40.7 million in ARS from its clients. Eligible Investors for future buybacks under the settlements with the Regulators held approximately $7.0 million of ARS as of March 31, 2019. In addition, the Company is committed to purchase another $7.4 million in ARS from clients through 2020 under legal settlements and awards.
The ARS positions that the Company owns and is committed to purchase primarily represent auction rate preferred securities issued by closed-end funds and, to a lesser extent, municipal auction rate securities that are municipal bonds wrapped by municipal bond insurance and student loan auction rate securities that are asset-backed securities backed by student loans.
Interest rates on ARS typically reset through periodic auctions. Due to the auction mechanism and generally liquid markets, ARS have historically been classified as Level 1 of the fair value hierarchy. Beginning in February 2008, uncertainties in the credit markets resulted in substantially all of the ARS market experiencing failed auctions. Once the auctions failed, the ARS could no longer be valued using observable prices set in the auctions. The Company has used less observable determinants of the fair value of ARS, including the strength in the underlying credits, announced issuer redemptions, completed issuer redemptions, and announcements from issuers regarding their intentions with respect to their outstanding ARS. The Company has also developed an internal methodology to discount for the lack of liquidity and non-performance risk of the failed auctions. Due to liquidity problems associated with the ARS market, ARS that lack liquidity are setting their interest rates according to a maximum rate formula. For example, an auction rate preferred security maximum rate may be set at 200% of a short-term index such as LIBOR or U.S. Treasury yield. For fair value purposes, the Company has determined that the maximum spread would be an adequate risk premium to account for illiquidity in the market. Accordingly, the Company applies a spread to the short-term index for each asset class to derive the discount rate. The Company uses short-term U.S. Treasury yields as its benchmark short-term index. The risk of non-performance is typically reflected in the prices of ARS positions where the fair value is derived from recent trades in the secondary market.
The ARS purchase commitment, or derivative asset or liability, arises from both the settlements with the Regulators and legal settlements and awards. The ARS purchase commitment represents the difference between the principal value and the fair value of the ARS the Company is committed to purchase. The Company utilizes the same valuation methodology for the ARS purchase commitment as it does for the ARS it owns. Additionally, the present value of the future principal value of ARS purchase commitments under legal settlements and awards is used in the discounted

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

Table of Contents

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

Additional information regarding the valuation technique and inputs for ARS used is as follows:

(Expressed in thousands)
Quantitative Information about ARS Level 3 Fair Value Measurements as of March 31, 2019

Product	Principal	Valuation Adjustment	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Auction Rate Securities Owned [1]							
Auction Rate Preferred Securities	$21,350	$ —	$21,350	Discounted Cash Flow	Discount Rate [2]	2.63% to 3.58%	3.57%
					Duration	1 Year	1 Year
					Current Yield [3]	2.72% to 4.09%	4.07%
Auction Rate Preferred Securities	18,950	2,697	16,253	Tender Offer [7]	N/A	N/A	N/A
Municipal Auction Rate Securities	75	—	75	Discounted Cash Flow	Discount Rate [4]	3.96%	3.96%
					Duration	2 Years	2 Years
					Current Yield [3]	5.50%	5.50%
Student Loan Auction Rate Securities	275	—	275	Discounted Cash Flow	Discount Rate [5]	3.42%	3.42%
					Duration	4 Years	4 Years
					Current Yield [3]	3.95%	3.95%
	$40,650	$ 2,697	$37,953				
Auction Rate Securities Commitments to Purchase [6]							
Auction Rate Preferred Securities	7,429	1,114	6,315	Tender Offer [7]	N/A	N/A	N/A
	$7,429	$ 1,114	$6,315				
Total	$48,079	$ 3,811	$44,268				

(1) Principal amount represents the par value of the ARS and is included in Securities Owned on the condensed consolidated balance sheet as of March 31, 2019. The valuation adjustment amount is included as a reduction to Securities Owned on the condensed consolidated balance sheet as of March 31, 2019.
(2) Derived by applying a multiple to the spread of between 110% to 150% to the U.S. Treasury rate

of 2.60%.
(3) Based on current yields for ARS positions owned.
(4) Derived by applying a multiple to the spread of 175% to the U.S. Treasury rate of 2.49%.
(5) Derived by applying the sum of the spread of 1.20% to the U.S. Treasury rate of 2.48%.
(6) Principal amount represents the present value of the ARS par value that the Company is committed to purchase at a future date. This principal amount is presented as an off-balance sheet item. The valuation adjustment amount is included in Accounts Payable and Other Liabilities on the condensed consolidated balance sheet as of March 31, 2019.
(7) Residual ARS amounts owned and ARS commitments to purchase that were subject to tender offers were priced at the tender offer price. Included in Level 2 of the fair value hierarchy.

Table of Contents

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

The fair value of ARS and ARS purchase commitments is particularly sensitive to movements in interest rates. Increases in short-term interest rates would increase the discount rate input used in the ARS valuation and thus reduce the fair value of the ARS (increase the valuation adjustment). Conversely, decreases in short-term interest rates would decrease the discount rate and thus increase the fair value of ARS (decrease the valuation adjustment). However, an increase (decrease) in the discount rate input would be partially mitigated by an increase (decrease) in the current yield earned on the underlying ARS asset increasing the cash flows and thus the fair value. Furthermore, movements in short term interest rates would likely impact the ARS duration (i.e., sensitivity of the price to a change in interest rates), which would also have a mitigating effect on interest rate movements. For example, as interest rates increase, issuers of ARS have an incentive to redeem outstanding securities as servicing the interest payments gets prohibitively expensive which would lower the duration assumption thereby increasing the ARS fair value. Alternatively, ARS issuers are less likely to redeem ARS in a lower interest rate environment as it is a relatively inexpensive source of financing which would increase the duration assumption thereby decreasing the ARS fair value.
Due to the less observable nature of these inputs, ARS are primarily categorized in Level 3 of the fair value hierarchy. As of March 31, 2019, the Company had a valuation adjustment (unrealized loss) of $2.7 million for ARS owned which is included as a reduction to securities owned on the condensed consolidated balance sheet. As of March 31, 2019, the Company also had a valuation adjustment of $1.1 million on ARS purchase commitments from legal settlements and awards which is included in accounts payable and other liabilities on the condensed consolidated balance sheet. The total valuation adjustment was $3.8 million as of March 31, 2019. The valuation adjustment represents the difference between the principal value and the fair value of the ARS owned and ARS purchase commitments.
Investments
In its role as general partner in certain hedge funds and private equity funds, the Company, through its subsidiaries, holds direct investments in such funds. The Company uses the net asset value of the underlying fund as a basis for estimating the fair value of its investment.
The following table provides information about the Company's investments in Company-sponsored funds as of March 31, 2019:

(Expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds [1]	$ 1,647	$ —	Annually	30 - 120 Days
Private equity funds [2]	4,765	1,399	N/A	N/A
	$ 6,412	$ 1,399		

(1) Includes investments in hedge funds and hedge fund of funds that pursue long/short, event-driven, and activist strategies. Each hedge fund has various restrictions regarding redemption; no investment is locked-up for a period greater than one year.
(2) Includes private equity funds and private equity fund of funds with a focus on diversified portfolios, real estate and global natural resources. Due to the illiquid nature of these funds, investors are not

permitted to make withdrawals without the consent of the general partner. The lock-up period of the private equity funds can extend to 10 years.

Table of Contents

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

Valuation Process

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

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

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

Table of Contents

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

Assets and Liabilities Measured at Fair Value
The Company's assets and liabilities, recorded at fair value on a recurring basis as of March 31, 2019 and December 31, 2018, have been categorized based upon the above fair value hierarchy as follows:
Assets and liabilities measured at fair value on a recurring basis as of March 31, 2019

(Expressed in thousands)

	Fair Value Measurements as of March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$10,500	$—	$—	$10,500
Deposits with clearing organizations	30,340	—	—	30,340
Securities owned:				
U.S. Treasury securities	747,130	—	—	747,130
U.S. Agency securities	987	10,223	—	11,210
Sovereign obligations	—	305	—	305
Corporate debt and other obligations	—	7,921	—	7,921
Mortgage and other asset-backed securities	—	8,905	—	8,905
Municipal obligations	—	45,193	—	45,193
Convertible bonds	—	21,906	—	21,906
Corporate equities	27,795	—	—	27,795
Money markets	3,150	—	—	3,150
Auction rate securities	—	16,253	21,700	37,953
Securities owned, at fair value	779,062	110,706	21,700	911,468
Investments [(1)]	—	—	104	104
Total	$819,902	$110,706	$21,804	$952,412
Liabilities				
Securities sold but not yet purchased:				
U.S. Treasury securities	$108,527	$—	$—	$108,527
U.S. Agency securities	—	3	—	3
Sovereign obligations	—	240	—	240
Corporate debt and other obligations		5,324		5,324
Convertible bonds	—	9,218	—	9,218
Corporate equities	13,974	—	—	13,974
Securities sold but not yet purchased, at fair value	122,501	14,785	—	137,286
Derivative contracts:				
Futures	959	—	—	959
Foreign exchange forward contracts	2	—	—	2

TBAs	—	47	—	47
ARS purchase commitments	—	1,114	—	1,114
Derivative contracts, total	961	1,161	—	2,122
Total	$123,462	$15,946	$—	$139,408

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

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

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2018

(Expressed in thousands)

	Fair Value Measurements as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$10,500	$—	$—	$10,500
Deposits with clearing organizations	34,599	—	—	34,599
Securities owned:				
U.S. Treasury securities	657,208	—	—	657,208
U.S. Agency securities	812	6,494	—	7,306
Sovereign obligations	—	214	—	214
Corporate debt and other obligations	—	20,665	—	20,665
Mortgage and other asset-backed securities	—	2,486	—	2,486
Municipal obligations	—	52,261	—	52,261
Convertible bonds	—	31,270	—	31,270
Corporate equities	28,215	—	—	28,215
Money markets	7	—	—	7
Auction rate securities	—	16,253	21,699	37,952
Securities owned, at fair value	686,242	129,643	21,699	837,584
Investments [1]	—	—	101	101
Derivative contracts:				
TBAs	—	4,873	—	4,873
Total	$731,341	$134,516	$21,800	$887,657
Liabilities				
Securities sold but not yet purchased:				
U.S. Treasury securities	$53,646	$—	$—	$53,646
U.S. Agency securities	—	3	—	3
Sovereign obligations	—	78	—	78
Corporate debt and other obligations	—	7,236	—	7,236
Convertible bonds	—	9,709	—	9,709
Corporate equities	14,774	—	—	14,774
Securities sold but not yet purchased, at fair value	68,420	17,026	—	85,446
Derivative contracts:				
Futures	807	—	—	807
Foreign exchange forward contracts	4	—	—	4
TBAs	—	4,873	—	4,873

ARS purchase commitments	—	1,096	—	1,096
Derivative contracts, total	811	5,969	—	6,780
Total	$69,231	$22,995	$—	$92,226

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

Table of Contents

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

The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended March 31, 2019 and 2018:

(Expressed in thousands)

Level 3 Assets and Liabilities
For the Three Months Ended March 31, 2019

	Beginning Balance	Total Realized and Unrealized Gains[(2)(3)]	Purchases and Issuances	Sales and Settlements	Transfers In / Out	Ending Balance
Assets						
Auction rate securities [(1)]	$21,699	$ 1	$ —	$ —	$ —	$21,700
Investments	101	3	—	—	—	104

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

(Expressed in thousands)

Level 3 Assets and Liabilities
For the Three Months Ended March 31, 2018

	Beginning Balance	Total Realized and Unrealized Gains (Losses) [(3)(4)]	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
Assets						
Municipal obligations	$35	$ 14	$ 76	$ (125)	$ —	$ —
Auction rate securities [(1)]	87,398	847	50	(945)	—	87,350
Investments	169	(1)	—	—	—	168
Liabilities						

ARS purchase commitments [2]	8	(175)	—	—	—	183

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

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

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

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

Table of Contents

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

Financial Instruments Not Measured at Fair Value

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

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

Assets and liabilities not measured at fair value as of March 31, 2019

(Expressed in thousands)		Fair Value Measurement: Assets			
	Carrying Value	Level 1	Level 2	Level 3	Total
Cash	$ 72,573	$72,573	$ —	$ —	$72,573
Deposits with clearing organization	24,729	24,729	—	—	24,729
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	109,712	—	109,712	—	109,712
Receivables from brokers	17,438	—	17,438	—	17,438
Securities failed to deliver	23,524	—	23,524	—	23,524
Clearing organizations	27,874	—	27,874	—	27,874
Other	1,720	—	1,720	—	1,720
	180,268	—	180,268	—	180,268
Receivable from customers	753,625	—	753,625	—	753,625
Securities purchased under agreements to resell	589	—	589	—	589
Notes receivable, net	43,921	—	43,921	—	43,921
Investments (1)	67,093	—	67,093	—	67,093

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

(Expressed in thousands)		Fair Value Measurement: Liabilities			
	Carrying Value	Level 1	Level 2	Level 3	Total
Drafts payable	$ 13,533	$13,533	$ —	$ —	$13,533
Bank call loans		—		—	—
Payables to brokers, dealers and clearing organizations:					
Securities loaned	232,370	—	232,370	—	232,370
Payable to brokers	2,256	—	2,256	—	2,256

Securities failed to receive	30,064	—	30,064	—	30,064
Other	368,684	—	368,684	—	368,684
	633,374	—	633,374	—	633,374
Payables to customers	334,376	—	334,376	—	334,376
Securities sold under agreements to repurchase	268,621	—	268,621	—	268,621
Senior secured notes	200,000	—	203,904	—	203,904

Table of Contents

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

Assets and liabilities not measured at fair value as of December 31, 2018

(Expressed in thousands)		Fair Value Measurement: Assets			
	Carrying Value	Level 1	Level 2	Level 3	Total
Cash	$ 80,175	$80,175	$ —	$ —	$80,175
Deposits with clearing organization	33,079	33,079	—	—	33,079
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	108,144	—	108,144	—	108,144
Receivables from brokers	20,140	—	20,140	—	20,140
Securities failed to deliver	7,021	—	7,021	—	7,021
Clearing organizations	28,777	—	28,777	—	28,777
Other	2,411	—	2,411	—	2,411
	166,493	—	166,493	—	166,493
Receivable from customers	720,777	—	720,777	—	720,777
Securities purchased under agreements to resell	290	—	290	—	290
Notes receivable, net	44,058	—	44,058	—	44,058
Investments [(1)]	59,765	—	59,765	—	59,765

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

(Expressed in thousands)		Fair Value Measurement: Liabilities			
	Carrying Value	Level 1	Level 2	Level 3	Total
Drafts payable	$ 16,348	$16,348	$ —	$ —	$16,348
Bank call loans	15,000	—	15,000	—	15,000
Payables to brokers, dealers and clearing organizations:					
Securities loaned	146,815	—	146,815	—	146,815
Payable to brokers	158	—	158	—	158
Securities failed to receive	27,799	—	27,799	—	27,799
Other	113,628	—	113,628	—	113,628
	288,400	—	288,400	—	288,400
Payables to customers	336,616	—	336,616	—	336,616
Securities sold under agreements to repurchase	484,218	—	484,218	—	484,218
Senior secured notes	200,000	—	199,722	—	199,722

Table of Contents

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

Fair Value Option
The Company elected the fair value option for securities sold under agreements to repurchase ("repurchase agreements") and securities purchased under agreements to resell ("reverse repurchase agreements") that do not settle overnight or have an open settlement date. The Company has elected the fair value option for these instruments to reflect more accurately market and economic events in its earnings and to mitigate a potential mismatch in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. As of March 31, 2019, the Company did not have any repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date.
Derivative Instruments and Hedging Activities
The Company transacts, on a limited basis, in exchange traded and over-the-counter derivatives for both asset and liability management as well as for trading and investment purposes. Risks managed using derivative instruments include interest rate risk and, to a lesser extent, foreign exchange risk. All derivative instruments are measured at fair value and are recognized as either assets or liabilities on the condensed consolidated balance sheet.
Foreign exchange hedges
From time to time, the Company also utilizes forward and options contracts to hedge the foreign currency risk associated with compensation obligations to Oppenheimer Israel (OPCO) Ltd. employees denominated in New Israeli Shekel ("NIS"). Such hedges have not been designated as accounting hedges. Unrealized gains and losses on foreign exchange forward contracts are recorded in other assets on the condensed consolidated balance sheet and other income in the condensed consolidated statement of income.
Derivatives used for trading and investment purposes
Futures contracts represent commitments to purchase or sell securities or other commodities at a future date and at a specified price. Market risk exists with respect to these instruments. Notional or contractual amounts are used to express the volume of these transactions and do not represent the amounts potentially subject to market risk. The Company uses futures contracts, including U.S. Treasury notes, Federal Funds, General Collateral futures and Eurodollar contracts primarily as an economic hedge of interest rate risk associated with government trading activities. Unrealized gains and losses on futures contracts are recorded on the condensed consolidated balance sheet in payable to brokers, dealers and clearing organizations and in the condensed consolidated statement of income as principal transactions revenue, net.
To-be-announced securities
The Company also transacts in pass-through mortgage-backed securities eligible to be sold in the TBA market as economic hedges against mortgage-backed securities that it owns or has sold but not yet purchased. TBAs provide for the forward or delayed delivery of the underlying instrument with settlement up to 180 days. The contractual or notional amounts related to these financial instruments reflect the volume of activity and do not reflect the amounts at risk. Net unrealized gains and losses on TBAs are recorded on the condensed consolidated balance sheet in receivable from brokers, dealers and clearing organizations or payable to brokers, dealers and clearing organizations and in the condensed consolidated statement of income as principal transactions revenue, net.

Table of Contents

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

The notional amounts and fair values of the Company's derivatives as of March 31, 2019 and December 31, 2018 by product were as follows:

(Expressed in thousands)

	Fair Value of Derivative Instruments as of March 31, 2019		
	Description	Notional	Fair Value
Liabilities:			
Derivatives not designated as hedging instruments [1]			
Commodity contracts	Futures	$4,473,000	$ 959
Other contracts	Foreign exchange forward contracts	600	2
	TBAs	3,400	47
	ARS purchase commitments	7,429	1,114
		$4,484,429	$ 2,122

(1) See "Derivative Instruments and Hedging Activities" above for description of derivative financial instruments. Such derivative instruments are not subject to master netting agreements, thus the related amounts are not offset.

(Expressed in thousands)

	Fair Value of Derivative Instruments as of December 31, 2018		
	Description	Notional	Fair Value
Assets:			
Derivatives not designated as hedging instruments [1]			
Other contracts	TBAs	$729,500	$ 4,873
		$729,500	$ 4,873
Liabilities:			
Derivatives not designated as hedging instruments [1]			
Commodity contracts	Futures	$4,580,800	$ 807
Other contracts	Foreign exchange forward contracts	200	4
	TBAs	729,500	4,873
	ARS purchase commitments	7,305	1,096
		$5,317,805	$ 6,780

(1) See "Derivative Instruments and Hedging Activities" above for a description of derivative financial instruments. Such derivative instruments are not subject to master netting agreements, thus the related amounts are not offset.

27

Table of Contents

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

The following table presents the location and fair value amounts of the Company's derivative instruments and their effect in the condensed consolidated statements of income for the three months ended March 31, 2019 and 2018:

(Expressed in thousands)

	The Effect of Derivative Instruments in the Income Statement For the Three Months Ended March 31, 2019		
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ (576)
Other contracts	Foreign exchange forward contracts	Other revenue	(2)
	TBAs	Principal transactions revenue	10
	ARS purchase commitments	Principal transactions revenue	(18)
			$ (586)

(Expressed in thousands)

	The Effect of Derivative Instruments in the Income Statement For the Three Months Ended March 31, 2018		
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ 1,029
Other contracts	TBAs	Principal transactions revenue	34
	Other TBAs	Other revenue	75
	ARS purchase commitments	Principal transactions revenue	(175)
			$ 963

28

Table of Contents

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

8. Collateralized transactions

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

The Company obtains short-term borrowings primarily through bank call loans. Bank call loans are generally payable on demand and bear interest at various rates. As of March 31, 2019, the Company's bank call loans outstanding balance is $nil. As of December 31, 2018, bank call loans were $15.0 million; such loans were collateralized by firm and/or customer securities with market values of approximately $18.6 million and $1.6 million, respectively, with commercial banks.

As of March 31, 2019, the Company had approximately $1.2 billion of customer securities under customer margin loans that are available to be pledged, of which the Company has re-pledged approximately $186.0 million under securities loan agreements.

As of March 31, 2019, the Company had pledged $219.4 million of customer securities directly with the Options Clearing Corporation to secure obligations and margin requirements under option contracts written by customers.

As of March 31, 2019, the Company had no outstanding letters of credit.

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

The following table presents a disaggregation of the gross obligation by the class of collateral pledged and the remaining contractual maturity of the repurchase agreements and securities loaned transactions as of March 31, 2019:

(Expressed in thousands)

	Overnight and Open
Repurchase agreements:	
U.S. Government and Agency securities	$369,109
Securities loaned:	
Equity securities	232,370
Gross amount of recognized liabilities for repurchase agreements and securities loaned	$601,479

Table of Contents

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

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 March 31, 2019 and December 31, 2018:

As of March 31, 2019

(Expressed in thousands)				Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Reverse repurchase agreements	$ 101,077	$ (100,488)	$ 589	$ —	$ —	$ 589
Securities borrowed [(1)]	109,712	—	109,712	(107,985)	—	1,727
Total	$ 210,789	$ (100,488)	$ 110,301	$ (107,985)	$ —	$ 2,316

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

				Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 369,109	$ (100,488)	$ 268,621	$ (268,156)	$ —	$ 465
Securities loaned [(2)]	232,370	—	232,370	(225,992)	—	6,378
Total	$ 601,479	$ (100,488)	$ 500,991	$ (494,148)	$ —	$ 6,843

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

As of December 31, 2018

(Expressed in thousands)	Gross Amounts Not Offset on the Balance Sheet	
		Net Amount

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Reverse repurchase agreements	$ 82,429	$(82,139)	$ 290	$ —	$ —	$ 290
Securities borrowed [1]	108,144	—	108,144	(105,960)	—	2,184
Total	$ 190,573	$(82,139)	$ 108,434	$ (105,960)	$ —	$ 2,474

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

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet		
				Financial Instruments	Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 566,357	$(82,139)	$ 484,218	$ (480,322)	$ —	$ 3,896
Securities loaned [2]	146,815	—	146,815	(139,232)	—	7,583
Total	$ 713,172	$(82,139)	$ 631,033	$ (619,554)	$ —	$ 11,479

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

30

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

The Company elected the fair value option for those repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date. As of March 31, 2019, the Company did not have any reverse repurchase agreements that do not settle overnight or have an open settlement date.
The Company receives collateral in connection with securities borrowed and reverse repurchase agreement transactions and customer margin loans. Under many agreements, the Company is permitted to sell or re-pledge the securities received (e.g., use the securities to enter into securities lending transactions, or deliver to counterparties to cover short positions). As of March 31, 2019, the fair value of securities received as collateral under securities borrowed transactions and reverse repurchase agreements was $107.3 million ($104.9 million as of December 31, 2018) and $100.9 million ($83.0 million as of December 31, 2018), respectively, of which the Company has sold and re-pledged approximately $36.6 million ($27.6 million as of December 31, 2018) under securities loaned transactions and $100.9 million under repurchase agreements ($83.0 million as of December 31, 2018).
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 $390.8 million, as presented on the face of the condensed consolidated balance sheet as of March 31, 2019 ($518.0 million as of December 31, 2018). 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 $nil as of March 31, 2019 ($20.2 million as of December 31, 2018).
The Company manages credit exposure arising from repurchase and reverse repurchase agreements by, in appropriate circumstances, entering into master netting agreements and collateral arrangements with counterparties that provide the Company, in the event of a customer default, the right to liquidate securities and the right to offset a counterparty's rights and obligations. The Company manages market risk of repurchase agreements and securities loaned by monitoring the market value of collateral held and the market value of securities receivable from others. It is the Company's policy to request and obtain additional collateral when exposure to loss exists. In the event the counterparty is unable to meet its contractual obligation to return the securities, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices.
Credit Concentrations
Credit concentrations may arise from trading, investing, underwriting and financing activities and may be impacted by changes in economic, industry or political factors. In the normal course of business, the Company may be exposed to credit risk in the event customers, counterparties including other brokers and dealers, issuers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations. The Company seeks to mitigate these risks by actively monitoring exposures and obtaining collateral as deemed appropriate. Included in receivable from brokers, dealers and clearing organizations as of March 31, 2019 are receivables from six major U.S. broker-dealers totaling approximately $93.1 million.
The Company is obligated to settle transactions with brokers and other financial institutions even if its clients fail to meet their obligations to the Company. Clients are required to complete their transactions on the settlement date, generally one to two business days after the trade date. If clients do not fulfill their contractual obligations, the Company may incur losses. The Company has clearing/participating arrangements with the National Securities Clearing Corporation, the Fixed Income Clearing Corporation ("FICC"), R.J. O'Brien & Associates (commodities

transactions), Mortgage-Backed Securities Division (a division of FICC) and others. With respect to its business in reverse repurchase and repurchase agreements, substantially all open contracts as of March 31, 2019 are with the FICC. In addition, the Company clears its non-U.S. international equities business carried on by Oppenheimer Europe Ltd. through Global Prime Partners, Ltd. The clearing organizations have the right to charge the Company for losses that result from a client's failure to fulfill its contractual obligations. Accordingly, the Company has credit exposures with these clearing brokers. The clearing brokers can re-hypothecate the securities held on behalf of the Company. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing brokers, the Company believes there is no maximum amount assignable to this right. As of March 31, 2019, 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.

Table of Contents

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

9. Variable interest entities ("VIEs")

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

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

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

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

The following tables set forth the total VIE assets, the carrying value of the subsidiaries' variable interests, and the Company's maximum exposure to loss in Company-sponsored non-consolidated VIEs in which the Company holds variable interests and other non-consolidated VIEs in which the Company holds variable interests as of March 31, 2019 and December 31, 2018:

(Expressed in thousands)

	As of March 31, 2019				
		Carrying Value of the Company's Variable Interest			
	Total VIE Assets [1]	Assets [2]	Liabilities	Capital Commitments	Maximum Exposure to Loss in Non-consolidated VIEs
Hedge funds	$342,057	$ 389	$ —	$ —	$ 389

Private equity funds	7,454	8	—	—	8	
Total	$349,511	$ 397	$	—$	—$	397

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

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

(Expressed in thousands)

	As of December 31, 2018				
	Total VIE Assets (1)	Carrying Value of the Company's Variable Interest		Capital Commitments	Maximum Exposure to Loss in Non-consolidated VIEs
		Assets (2)	Liabilities		
Hedge funds	$291,200	$ 337	$ —	$ —	$ 337
Private equity funds	7,454	8	—	—	8
Total	$298,654	$ 345	$ —	$ —	$ 345

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

10. Long-term debt

(Expressed in thousands)

Issued	Maturity Date	March 31, 2019	December 31, 2018
6.75% Senior Secured Notes	7/1/2022	$200,000	$200,000
Unamortized Debt Issuance Cost		(840)	(904)
		$199,160	$199,096

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

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

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

Table of Contents

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

The Notes provide for events of default including, among other things, nonpayment, breach of covenants and bankruptcy. The Parent's obligations under the Notes are guaranteed by certain of the Parent's subsidiaries and are secured by a first-priority security interest in substantially all of the assets of the Parent and the subsidiary's guarantors. These guarantees and the collateral may be shared, on a pari passu basis, under certain circumstances, with debt incurred. As of March 31, 2019, the Parent was in compliance with all of its covenants.
Interest expense for both the three months ended March 31, 2019 and 2018 on the Notes was $3.4 million.

11. Share capital

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

	For the Three Months Ended March 31,	
	2019	2018
Class A Stock outstanding, beginning of period	12,941,809	13,139,203
Issued pursuant to share-based compensation plans	61,091	1,900
Repurchased and canceled pursuant to the stock buy-back	(79,383)	—
Class A Stock outstanding, end of period	12,923,517	13,141,103

Stock buy-back

On May 5, 2017, the Company announced that its board of directors approved a share repurchase program that authorizes the Company to purchase up to 650,000 shares of the Company's Class A Stock, representing approximately 5% of its 13,178,571 then issued and outstanding shares of Class A Stock. This authorization supplemented the 40,734 shares that remained authorized and available under the Company's previous share repurchase program covering up to 665,000 shares of the Company's Class A Stock, which was announced on September 15, 2015, for a total of 690,734 shares authorized and available for repurchase. As of January 1, 2019, 272,784 shares were available to be purchased under this program.
During the three months ended March 31, 2019, the Company purchased and canceled an aggregate of 79,383 shares of Class A Stock for a total consideration of $2.0 million ($25.64 per share) under this program. As of March 31, 2019, 193,401 shares remained available to be purchased under this program.
Any such share repurchases will be made by the Company from time to time in the open market at the prevailing open market price using cash on hand, in compliance with the applicable rules and regulations of the New York Stock Exchange and federal and state securities laws and the terms of the Company's senior secured debt. The Company will cancel all of the shares repurchased. The Company expects to continue the share repurchase program indefinitely. The Company will base the timing and amounts of any purchases on market conditions and other factors including price, regulatory requirements and capital availability. The share repurchase program does not obligate the Company to

repurchase any dollar amount or number of shares of Class A Stock. Depending on market conditions and other factors, the Company may commence or suspend repurchases from time to time without notice.

Table of
Contents

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

12. Contingencies

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

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

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

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

For legal and regulatory proceedings where there is at least a reasonable possibility that a loss or an additional loss may be incurred, the Company estimates a range of aggregate loss in excess of amounts accrued of $0 to $21.0 million. This estimated aggregate range is based upon currently available information for those legal proceedings in which the Company is involved, where the Company can make an estimate for such losses. For certain cases, the Company does not believe that it can make an estimate. The foregoing aggregate estimate is based on various factors, including the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the numerous yet-unresolved issues in many of the proceedings and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate.

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. As of March 31, 2019, the Company had no outstanding ARS purchase commitments related to the settlements with the Regulators. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client related legal settlements and awards to purchase ARS, as of March 31, 2019, the Company purchased and holds (net of redemptions) approximately $40.7 million in ARS from its clients. Eligible Investors for future buybacks under the settlement with the Regulators held approximately $7.0 million of ARS as of March 31, 2019. In addition, the Company is committed to purchase another $7.4 million in ARS from clients through 2020 under legal settlements and awards.

Table of Contents

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

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. 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 meets with representatives of the NYAG and other regulators to present the results of the review and to finalize the amount of the next Purchase Offer and discuss offer scenarios in terms of which Eligible Investors should receive a Purchase Offer. Once various Purchase Offer scenarios have been discussed, the regulators, not the Company, make the final determination of which Purchase Offer scenario to implement. The terms of the settlements provide that the amount of ARS to be purchased during any period shall not risk placing the Company in violation of regulatory requirements.

Eligible Investors for future buybacks continued to hold approximately $7.0 million of ARS principal value as of March 31, 2019. It is reasonably possible that some ARS Purchase Offers will need to be extended to Eligible Investors holding ARS prior to redemptions (or tender offers) by issuers of the full amount that remains outstanding. The potential additional losses that may result from entering into ARS purchase commitments with Eligible Investors for future buybacks represent the estimated difference between the principal value and the fair value. It is possible that the Company could sustain a loss of all or substantially all of the principal value of ARS still held by Eligible Investors but such an outcome is highly unlikely. The amount of potential additional losses resulting from entering into these commitments cannot be reasonably estimated due to the uncertainties surrounding the amounts and timing of future buybacks that result from the six-month financial review and the amounts, scope, and timing of future issuer redemptions and tender offers of ARS held by Eligible Investors. The range of potential additional losses related to valuation adjustments is between $0 and the amount of the estimated differential between the principal value and the fair value of ARS held by Eligible Investors for future buybacks that were not yet purchased or committed to be purchased by the Company at any point in time. The range of potential additional losses described here is not included in the estimated range of aggregate loss in excess of amounts accrued for legal and regulatory proceedings described above.

Outside of the settlements with the Regulators, the Company has also reached various legal settlements with clients. As of March 31, 2019, there were no ARS purchase commitments related to legal settlements extending past 2020.

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

On February 12, 2018, the SEC Division of Enforcement ("Enforcement Division") announced the Share Class Selection Disclosure Initiative ("SCSD Initiative") pursuant to which investment advisers were encouraged to self-report possible securities laws violations relating to the failure to make certain disclosures concerning mutual fund share class selection. On June 11, 2018, Oppenheimer and OAM notified the Enforcement Division that it intended to participate in the SCSD Initiative. Oppenheimer and OAM filed the information required by the SCSD

Initiative on September 19, 2018. On March 11, 2019, the SEC issued an Order (the "SEC Order") against Oppenheimer (and its affiliate Oppenheimer Asset Management, collectively “Oppenheimer”) pursuant to which Oppenheimer was ordered to disgorge approximately $3.5 million, including pre-judgement interest (the “Disgorgement Amount”) of 12b-1 fees and agree to certain undertakings including the following: (i) within 30 days of the entry of the SEC Order, review and correct as necessary all relevant disclosure documents concerning mutual fund share class selection and 12b-1 fees; (ii) within 30 days of the entry of the SEC Order, evaluate whether existing clients should be moved to a lower-cost share class and move clients as necessary; (iii) within 30 days of the entry of the SEC Order, evaluate, update (if necessary), and review for the effectiveness of their implementation, Oppenheimer’s policies and procedures so that they are reasonably designed to prevent violations of the Investment Advisers Act in connection with disclosures regarding mutual fund share class selection; (iv) within 30 days of the entry of the SEC Order, notify affected investors (i.e., those former and current clients who, during the relevant period of inadequate disclosure, purchased or held 12b-1 fee paying share class mutual funds when a lower-cost share class of the same fund was available to the client) of the settlement terms of the Order in a clear and conspicuous fashion; and (v) within 40 days of the entry of the SEC Order, certify, in writing, compliance with the undertaking(s) set forth above.

Table of Contents

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

13. Regulatory requirements

The Company's U.S. broker dealer subsidiaries, Oppenheimer and Freedom, are subject to the uniform net capital requirements of the SEC under Rule 15c3-1 (the "Rule") promulgated under the Securities Exchange Act of 1934. Oppenheimer computes its net capital requirements under the alternative method provided for in the Rule which requires that Oppenheimer maintain net capital equal to two percent of aggregate customer-related debit items, as defined in SEC Rule 15c3-3. As of March 31, 2019, the net capital of Oppenheimer as calculated under the Rule was $202.4 million or 26.30% of Oppenheimer's aggregate debit items. This was $187.0 million in excess of the minimum required net capital at that date. Freedom computes its net capital requirement under the basic method provided for in the Rule, which requires that Freedom maintain net capital equal to the greater of $100,000 or 6-2/3% of aggregate indebtedness, as defined. As of March 31, 2019, Freedom had net capital of $5.2 million, which was $5.1 million in excess of the $100,000 required to be maintained at that date.

As of March 31, 2019, the capital required and held under the Capital Requirements Directive ("CRD IV") for Oppenheimer Europe Ltd. was as follows:

- Common Equity Tier 1 ratio 11.03% (required 4.5%);
- Tier 1 Capital ratio 11.03% (required 6.0%); and
- Total Capital ratio 11.31% (required 8.0%).

In December 2017, Oppenheimer Europe Ltd. received approval from the Financial Conduct Authority ("FCA") for a variation of permission to remove the limitation of "matched principal business" from the firm's scope of permitted businesses and become a "Full-Scope Prudential Sourcebook for Investment Firms (IFPRU) €730K" firm which was effective January 2018. In addition to the capital requirement under CRV IV above, Oppenheimer Europe Ltd. is required to maintain a minimum capital of EUR 730,000. As of March 31, 2019, Oppenheimer Europe Ltd. is in compliance with its regulatory requirements.

As of March 31, 2019, the regulatory capital of Oppenheimer Investments Asia Limited was $878,000, which was $496,000 in excess of the $382,000 required to be maintained on that date. Oppenheimer Investments Asia Limited computes its regulatory capital pursuant to the requirements of the Securities and Futures Commission of Hong Kong.

14. Segment information

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

The Company's reportable segments are:

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

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

with this segment; and

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

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

Table of Contents

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

The table below presents information about the reported revenue and income (loss) before income taxes of the Company for the three months ended March 31, 2019 and 2018. Asset information by reportable segment is not reported, since the Company does not produce such information for internal use by the chief operating decision maker.

(Expressed in thousands)

	For the Three Months Ended March 31,	
	2019	2018
Revenue		
Private client [(1)]	$163,527	$154,094
Asset management [(1)]	16,586	17,644
Capital markets	70,961	61,529
Corporate/Other	696	1,263
Total	$251,770	$234,530
Income (loss) before income taxes		
Private client [(1)]	$42,834	$40,162
Asset management [(1)]	2,242	3,718
Capital markets	(2,647)	(6,057)
Corporate/Other	(26,377)	(28,202)
Total	$16,052	$9,621

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

Revenue, classified by the major geographic areas in which it was earned, for the three months ended March 31, 2019 and 2018 was as follows:

(Expressed in thousands)

	For the Three Months Ended March 31,	
	2019	2018
Americas	$243,399	$225,612
Europe/Middle East	7,669	7,523
Asia	702	1,395
Total	$251,770	$234,530

15. Subsequent events

On April 26, 2019, the Company announced a quarterly dividend in the amount of $0.11 per share, payable on May 24, 2019 to holders of Class A Stock and Class B Stock of record on May 10, 2019.

Table of Contents

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

16. Condensed consolidating financial information

On June 23, 2017, the Parent issued in a private offering $200.0 million aggregate principal amount of the Notes. The Company used a portion of the net proceeds from the offering of the Unregistered Notes to redeem in full its Old Notes. See note 10 for further details.

The Notes are jointly and severally and fully and unconditionally guaranteed on a senior basis by E.A. Viner International Co. and Viner Finance Inc. (together, the "Guarantors"), unless released as described below. Each of the Guarantors is 100% owned by the Parent. The indenture for the Notes contains covenants with restrictions which are discussed in note 10. The following condensed consolidating financial information presents the financial position, results of operations and cash flows of the Parent, the Guarantor subsidiaries, the Non-Guarantor subsidiaries and elimination entries necessary to consolidate the Company.

Each Guarantor will be automatically and unconditionally released and discharged upon: the sale, exchange or transfer of the capital stock of a Guarantor and the Guarantor ceasing to be a direct or indirect subsidiary of the Parent if such sale does not constitute an asset sale under the indenture for the Notes or does not constitute an asset sale effected in compliance with the asset sale and merger covenants of the indenture for the Notes; a Guarantor being dissolved or liquidated; a Guarantor being designated unrestricted in compliance with the applicable provisions of the Notes; or the exercise by the Parent of its legal defeasance option or covenant defeasance option or the discharge of the Parent's obligations under the indenture for the Notes in accordance with the terms of such indenture.

Table of Contents

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

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF MARCH 31, 2019

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$49,844	$3,612	$29,617	$—	$83,073
Deposits with clearing organizations	—	—	55,069	—	55,069
Receivable from brokers, dealers and clearing organizations	—	—	180,221	—	180,221
Receivable from customers, net of allowance for credit losses of $898	—	—	753,625	—	753,625
Income tax receivable	46,821	22,681	(702)	(68,800)	—
Securities purchased under agreements to resell	—		589	—	589
Securities owned, including amounts pledged of $390,832, at fair value	—	1,443	910,025	—	911,468
Notes receivable, net of accumulated amortization and allowance for uncollectibles of $24,548 and $6,841, respectively	—	—	43,921	—	43,921
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $90,974	—	21,897	8,831	—	30,728
Right-of-use lease assets, net of accumulated amortization of $6,797	—	164,250	6,974	—	171,224
Subordinated loan receivable	—	112,558	—	(112,558)	—
Intangible assets	—	400	31,700	—	32,100
Goodwill	—	—	137,889	—	137,889
Other assets	211	1,975	125,471	—	127,657
Deferred tax assets	255	446	16,535	(17,236)	—
Investment in subsidiaries	676,344	539,316	—	(1,215,660)	—
Intercompany receivables	(13,818)	48,400	(8,252)	(26,330)	—
Total assets	$759,657	$916,978	$2,291,513	$(1,440,584)	$2,527,564
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	$—	$—	$13,533	$—	$13,533
Bank call loans	—	—	—	—	—
Payable to brokers, dealers and clearing organizations	—	—	634,333	—	634,333

Payable to customers	—	—	334,376	—	334,376
Securities sold under agreements to repurchase	—	—	268,621	—	268,621
Securities sold but not yet purchased, at fair value	—	—	137,286	—	137,286
Accrued compensation	—	—	106,869	—	106,869
Income tax payable	2,440	22,189	45,332	(68,799)	1,162
Accounts payable and other liabilities	3,570	(8,444)	53,744	(8)	48,862
Lease liabilities	—	205,229	7,741	—	212,970
Senior secured notes, net of debt issuance cost of $840	199,160	—	—	—	199,160
Subordinated indebtedness	—	—	112,558	(112,558)	—
Deferred tax liabilities	—	(411)	33,546	(17,230)	15,905
Intercompany payables	—	28,658	—	(28,658)	—
Total liabilities	205,170	247,221	1,747,939	(227,253)	1,973,077
Stockholders' equity					
Total stockholders' equity	554,487	669,757	543,574	(1,213,331)	554,487
Total liabilities and stockholders' equity	$759,657	$916,978	$2,291,513	$(1,440,584)	$2,527,564

Table of Contents

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

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2018

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$53,526	$ 3,826	$ 33,323	$—	$ 90,675
Deposits with clearing organizations	—	—	67,678	—	67,678
Receivable from brokers, dealers and clearing organizations	—	—	166,493	—	166,493
Receivable from customers, net of allowance for credit losses of $886	—	—	720,777	—	720,777
Income tax receivable	45,733	23,491	(702)	(67,508)	1,014
Securities purchased under agreements to resell	—	—	290	—	290
Securities owned, including amounts pledged of $517,951 at fair value	—	1,358	836,226	—	837,584
Notes receivable, net of accumulated amortization and allowance for uncollectibles of $25,109 and $6,800, respectively	—	—	44,058	—	44,058
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $89,182	—	20,722	8,266	—	28,988
Subordinated loan receivable	—	112,558	—	(112,558)	—
Intangible assets	—	400	31,700	—	32,100
Goodwill	—	—	137,889	—	137,889
Other assets	135	2,581	110,052	—	112,768
Deferred tax assets	1	455	18,494	(18,950)	—
Investment in subsidiaries	661,837	546,704	—	(1,208,541)	—
Intercompany receivables	(14,211)	46,840	(6,299)	(26,330)	—
Total assets	$747,021	$ 758,935	$ 2,168,245	$(1,433,887)	$ 2,240,314
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	$—	$ —	$ 16,348	$—	$ 16,348
Bank call loans	—	—	15,000	—	15,000
Payable to brokers, dealers and clearing organizations	—	—	289,207	—	289,207
Payable to customers	—	—	336,616	—	336,616
Securities sold under agreements to repurchase	—	—	484,218	—	484,218

Securities sold but not yet purchased, at fair value	—	—	85,446	—	85,446
Accrued compensation	—	—	167,348	—	167,348
Accounts payable and other liabilities	163	31,653	55,823	(9)	87,630
Income tax payable	2,440	22,189	42,878	(67,507)	—
Senior secured notes, net of debt issuance costs of $904	199,096	—	—	—	199,096
Subordinated indebtedness	—	—	112,558	(112,558)	—
Deferred tax liabilities	—	—	33,029	(18,946)	14,083
Intercompany payables	—	26,334	—	(26,334)	—
Total liabilities	201,699	80,176	1,638,471	(225,354)	1,694,992
Stockholders' equity					
Total stockholders' equity	545,322	678,759	529,774	(1,208,533)	545,322
Total liabilities and stockholders' equity	$747,021	$ 758,935	$ 2,168,245	$(1,433,887)	$ 2,240,314

Table of Contents

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

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING INCOME STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$ —	$ 79,409	$ —	$ 79,409
Advisory fees	—	—	73,982	(335)	73,647
Investment banking	—	—	28,043	—	28,043
Bank deposit sweep income	—	—	33,968	—	33,968
Interest	84	2,062	12,654	(2,073)	12,727
Principal transactions, net	—	49	11,389		11,438
Other	—	1	12,537	—	12,538
Total revenue	84	2,112	251,982	(2,408)	251,770
EXPENSES					
Compensation and related expenses	445	—	159,910	—	160,355
Communications and technology	39	—	20,047	—	20,086
Occupancy and equipment costs	—	—	15,273	—	15,273
Clearing and exchange fees	—		5,332	—	5,332
Interest	3,375	—	11,685	(2,074)	12,986
Other	316	122	21,582	(334)	21,686
Total expenses	4,175	122	233,829	(2,408)	235,718
Income (loss) before income taxes	(4,091)	1,990	18,153	—	16,052
Income taxes	(1,343)	926	5,275	—	4,858
Net income (loss)	(2,748)	1,064	12,878	—	11,194
Equity in earnings of subsidiaries	13,942	12,883	—	(26,825)	—
Net income	11,194	13,947	12,884	(26,831)	11,194
Other comprehensive income	—	—	563		563
Total comprehensive income	$11,194	$ 13,947	$ 13,447	$ (26,831)	$ 11,757

Table of Contents

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

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING INCOME STATEMENT
FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	$—	$ —	$ 83,407	$ —	$ 83,407
Advisory fees	—	—	77,874	(326)	77,548
Investment banking	—	—	28,210	—	28,210
Bank deposit sweep income	—	—	25,297	—	25,297
Interest	—	2,060	12,247	(2,080)	12,227
Principal transactions, net	—	—	2,759	(33)	2,726
Other	—	96	5,114	(95)	5,115
Total revenue	—	2,156	234,908	(2,534)	234,530
EXPENSES					
Compensation and related expenses	326	—	152,778	—	153,104
Communications and technology	39	—	18,649	—	18,688
Occupancy and equipment costs	—	—	15,523	(95)	15,428
Clearing and exchange fees	—	—	6,096	—	6,096
Interest	3,375	—	7,668	(2,080)	8,963
Other	387	253	22,349	(359)	22,630
Total expenses	4,127	253	223,063	(2,534)	224,909
Income (loss) before income taxes	(4,127)	1,903	11,845	—	9,621
Income taxes	(1,040)	264	3,692	—	2,916
Net income (loss)	(3,087)	1,639	8,153	—	6,705
Equity in earnings of subsidiaries	9,792	8,153	—	(17,945)	—
Net income	6,705	9,792	8,153	(17,945)	6,705
Other comprehensive loss	—	—	(142)	—	(142)
Total comprehensive income	$6,705	$ 9,792	$ 8,011	$ (17,945)	$ 6,563

Table of Contents

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

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2019

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Cash provided by (used in) operating activities	$799	$ (214)	$ 14,742	$ —	$ 15,327
Cash flows from investing activities:					
Purchase of furniture, equipment and leasehold improvements	—	—	(3,448)	—	(3,448)
Cash used in investing activities	—	—	(3,448)	—	(3,448)
Cash flows from financing activities:					
Cash dividends paid on Class A non-voting and Class B voting common stock	(1,432)	—	—	—	(1,432)
Repurchase of Class A non-voting common stock	(2,035)	—	—	—	(2,035)
Payments for employee taxes withheld related to vested share-based awards	(1,014)	—	—	—	(1,014)
Decrease in bank call loans, net	—	—	(15,000)	—	(15,000)
Cash used in financing activities	(4,481)	—	(15,000)	—	(19,481)
Net decrease in cash and cash equivalents	(3,682)	(214)	(3,706)	—	(7,602)
Cash and cash equivalents, beginning of the period	53,526	3,826	33,323	—	90,675
Cash and cash equivalents, end of the period	$49,844	$ 3,612	$ 29,617	$ —	$ 83,073

Table of Contents

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

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2018

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:					
Cash provided by (used in) operating activities	$1,954	$ 919	$ (30,416)	$ —	$ (27,543)
Cash flows from investing activities:					
Purchase of furniture, equipment and leasehold improvements	—	—	(2,696)	—	(2,696)
Purchase of intangible assets	—	(400)	—	—	(400)
Cash used in investing activities	—	—	(2,696)	—	(3,096)
Cash flows from financing activities:					
Cash dividends paid on Class A non-voting and Class B voting common stock	(1,456)	—	—	—	(1,456)
Payments for employee taxes withheld related to vested share-based awards	(2,444)	—	—	—	(2,444)
Increase in bank call loans, net	—	—	29,100	—	29,100
Cash provided by (used in) financing activities	(3,900)	—	29,100	—	25,200
Net increase (decrease) in cash and cash equivalents	(1,946)	519	(4,012)	—	(5,439)
Cash and cash equivalents, beginning of the period	7,442	3,716	36,996	—	48,154
Cash and cash equivalents, end of the period	$5,496	$ 4,235	$ 32,984	$ —	$ 42,715

45

Table of Contents

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BACKGROUND

Oppenheimer Holdings Inc. (the "Company", "we", "our" or "us") engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, market-making, research, investment banking (both corporate and public finance), investment advisory and asset management services and trust services. Its principal subsidiaries are Oppenheimer & Co. Inc. ("Oppenheimer") and Oppenheimer Asset Management Inc. ("OAM"). As of March 31, 2019, we provided our services from 94 offices in 24 states located throughout the United States, offices in Tel Aviv, Israel, Hong Kong, China, London, England, St. Helier, Isle of Jersey, Frankfurt, Germany and Geneva, Switzerland. Client assets administered as of March 31, 2019 totaled $87.5 billion. The Company provides investment advisory services through OAM and Oppenheimer Investment Management LLC ("OIM") and Oppenheimer's financial adviser direct programs. At March 31, 2019, client assets under management ("AUM") totaled $29.5 billion. We also provide trust services and products through Oppenheimer Trust Company of Delaware and discount brokerage services through Freedom Investments, Inc. ("Freedom"). Through OPY Credit Corp., we offer syndication as well as trading of issued syndicated corporate loans. At March 31, 2019, the Company employed 2,984 employees (2,920 full-time and 64 part-time), of whom 1,062 were financial advisers.

Outlook

We are focused on growing our private client and asset management businesses through strategic additions of experienced financial advisers in our existing branch system and employment of experienced money management personnel in our asset management business as well as deploying our capital for expansion through targeted acquisitions. In addition, we commit to the improvement of our technology capability to support client service and the expansion of our capital markets capabilities while addressing the issue of managing expenses.

The Company's long-term growth 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, and to continue to grow and develop the existing trading, investment banking, investment advisory and other divisions. We are committed to continuing to improve our technology capabilities to ensure compliance with industry regulations, support client service and expand our wealth management and capital markets capabilities. We recognize the importance of compliance with applicable regulatory requirements and are committed to performing rigorous and ongoing assessments of our compliance and risk management efforts investing in people and programs, and to providing a platform with first class investment ideas and services.

The Company is also reviewing its full service business model to determine the opportunities available to build or acquire closely related businesses in areas where competitors have shown some success. Equally important is the search for viable acquisition candidates. Our long-term intention is to pursue growth by acquisition where we can find a comfortable match in terms of corporate goals and personnel at a price that would provide our shareholders with incremental value. We review potential acquisition opportunities from time to time on the basis of fulfilling the Company's strategic goals, while evaluating and managing our existing businesses. The Company may use all or a portion of the net proceeds of its June 2017 refinancing for the acquisition of related businesses.

46

Table of Contents

EXECUTIVE SUMMARY

The Company reported net income attributable to Oppenheimer Holdings Inc. of $11.2 million or $0.86 basic net income per share for the three months ended March 31, 2019 compared with net income attributable to Oppenheimer Holdings Inc. of $6.7 million or $0.51 basic net income per share for the three months ended March 31, 2018. Income before income taxes was $16.1 million for the three months ended March 31, 2019 compared with income before income taxes of $9.6 million for the three months ended March 31, 2018. Revenue for the three months ended March 31, 2019 was $251.8 million compared with revenue of $234.5 million for the three months ended March 31, 2018, an increase of 7.4%.

During the first quarter of 2019, the major stock indexes in the U.S. were up 13.1% rebounding from a 14% decline during the fourth quarter of 2018. This was the best first quarter performance in the equities markets in over a decade. The markets benefited from the Federal Reserve's decision to adopt a more dovish stance, indicating that they do not expect to further increase short-term interest rates in the near term. A continued strong economy, record low unemployment, the end of the government shutdown, as well as optimism around trade negotiations between the U.S. and China helped fuel the rally in the equities markets. Consumer spending continues to be driven by strong business and consumer confidence and is providing the impetus for a strong economy. Concerns around an imminent recession impacted long-term interest rates during the quarter. The 10-year Treasury yield began the quarter yielding 2.69% and fell to as low as 2.39% before ending the quarter at 2.41% indicating a flight to safety sentiment by investors.

We are pleased with the performance of the business during the first quarter of 2019. Although our results were aided by a strong equities market, the firm's core businesses performed well and we believe that the strong underlying economic landscape will continue to provide support for the growth objectives of the firm. After the sharp sell-off in the equities markets during the fourth quarter of 2018, our asset management fees for the first quarter, which are based on asset values at December 31, 2018, declined 5.0%. The significant increase in equity asset values in the first quarter of 2019 will favorably impact our asset management fees for the second quarter of 2019. Our investment banking business performed well as a result of increased fees from advisory assignments and despite a significant decline in underwriting income. Our operating results continue to benefit from the present level of short-term interest rates as we continue to realize the effect of interest rate hikes in 2018.

Our institutional equities commission business showed improvement during the first quarter of 2019 as a result of an increase in volatility which drove greater activity by institutional counterparties. However, our retail transaction-based business declined during the period reflecting an ongoing secular reduction in portfolio turnover as our clients continue to move to more passive investment strategies. We continue to be optimistic about our investment banking business for 2019, particularly as we foresee a strong pipeline for initial public offerings as private equity investments enter the public markets. Finally, we are encouraged by the decline in legal and regulatory costs as many of the investments in our compliance efforts are realized.

Table of Contents

RESULTS OF OPERATIONS

The following table and discussion summarizes the changes in the major revenue and expense categories for the three months ended March 31, 2019 compared with the same period in 2018:

(Expressed in thousands)

	For the three months ended March 31,		
	2019	2018	% Change
Revenue			
Commissions	$79,409	83,407	(4.8)
Advisory fees	73,647	77,548	(5.0)
Investment banking	28,043	28,210	(0.6)
Bank deposit sweep income	33,968	25,297	34.3
Interest	12,727	12,227	4.1
Principal transactions, net	11,438	2,726	319.6
Other	12,538	5,115	145.1
Total revenue	251,770	234,530	7.4
Expenses			
Compensation and related expenses	160,355	153,104	4.7
Communications and technology	20,086	18,688	7.5
Occupancy and equipment costs	15,273	15,428	(1.0)
Clearing and exchange fees	5,332	6,096	(12.5)
Interest	12,986	8,963	44.9
Other	21,686	22,630	(4.2)
Total expenses	235,718	224,909	4.8
Income before income taxes	16,052	9,621	66.8
Income taxes	4,858	2,916	66.6
Net income	11,194	6,705	67.0

First Quarter 2019

Revenue

Commission revenue was $79.4 million for the three months ended March 31, 2019, a decrease of 4.8% compared with $83.4 million for the three months ended March 31, 2018 due to lower transaction-based revenue in the retail business, offset by higher levels of turnover in client portfolios and improved market penetration during the three months ended March 31, 2019.

Advisory fees were $73.6 million for the three months ended March 31, 2019, a decrease of 5.0% compared with $77.5 million for the three months ended March 31, 2018 due to a lower level of AUM.

Investment banking revenue decreased 0.6% to $28.0 million for the three months ended March 31, 2019 compared with $28.2 million for the three months ended March 31, 2018.

Bank deposit sweep income was $34.0 million for the three months ended March 31, 2019, an increase of 34.3% compared with $25.3 million for the three months ended March 31, 2018 due to higher short-term interest rates during the three months ended March 31, 2019.

Interest revenue was $12.7 million for the three months ended March 31, 2019, an increase of 4.1% compared with $12.2 million for the three months ended March 31, 2018 due primarily to an increase in interest revenue on margin extended to customers during the three months ended March 31, 2019.

Table of Contents

Principal transactions revenue was $11.4 million for the three months ended March 31, 2019, an increase of 319.6% compared with $2.7 million for the three months ended March 31, 2018 due to higher trading income from taxable fixed income and public finance and municipal trading.

Other revenue was $12.5 million for the three months ended March 31, 2019, an increase of 145.1% compared to $5.1 million for the three months ended March 31, 2018 due primarily to the increase in cash surrender value of the Company's life insurance policies.

Expenses

Compensation and related expenses (including salaries, production and incentive compensation, share-based compensation, deferred compensation, and other benefit-related items) totaled $160.4 million during the three months ended March 31, 2019, an increase of 4.7% compared with the three months ended March 31, 2018. The increase was due to higher salary, deferred and share-based compensation expenses, partially offset by lower production-related compensation costs during the three months ended March 31, 2019. Compensation and related expenses as a percentage of revenue was 63.7% during the three months ended March 31, 2019 compared with 65.3% during the three months ended March 31, 2018.

Non-compensation expenses were $75.4 million during the three months ended March 31, 2019, an increase of 5.0% compared with $71.8 million during the three months ended March 31, 2018 primarily due to higher interest costs and communication and technology costs partially offset by lower legal and regulatory costs during the three months ended March 31, 2019.

The effective income tax rate from continuing operations for the three months ended March 31, 2019 was 30.3% unchanged compared with 30.3% for the three months ended March 31, 2018. The effective rate reflects the Company's estimate of the annual effective tax adjusted for uncertain discrete items.

BUSINESS SEGMENTS

The table below presents information about the reported revenue and income (loss) before income taxes of the Company's reportable business segments for the three months ended March, 2019 and 2018:

(Expressed in thousands)

	For the Three Months Ended March 31,		
	2019	2018	% Change
Revenue			
Private Client	$163,527	$154,094	6.1
Asset Management	16,586	17,644	(6.0)
Capital Markets	70,961	61,529	15.3
Corporate/Other	696	1,263	(44.9)
Total	$251,770	$234,530	7.4
Income (Loss) before income taxes			
Private Client	$42,834	$40,162	6.7
Asset Management	2,242	3,718	(39.7)
Capital Markets	(2,647)	(6,057)	56.3
Corporate/Other	(26,377)	(28,202)	6.5
Total	$16,052	$9,621	66.8

Table of Contents

Private Client

Private Client reported revenue of $163.5 million for the first quarter of 2019, 6.1% higher than the first quarter of 2018 due to higher bank deposit sweep income and an increase in the cash surrender value of Company-owned life insurance partially offset by lower retail commissions and asset management fees during the first quarter of 2019. Income before income taxes was $42.8 million for the first quarter of 2019, an increase of 6.7% compared with the first quarter of 2018 due to the aforementioned items partially offset by higher interest costs and communications and technology costs during the first quarter of 2019.

- Client assets under administration were $87.5 billion at March 31, 2019, compared with $80.1 billion at December 31, 2018, an increase of 9.2%
- Financial adviser headcount was 1,062 at the end of the first quarter of 2019, down from 1,082 at the end of the first quarter of 2018. The decline in financial adviser headcount since the first quarter of 2018 has resulted from the Company's emphasis on adviser productivity as well as retirements.
- Retail commissions were $47.1 million for the first quarter of 2019, a decrease of 7.9% from the first quarter of 2018.
- Advisory fee revenue on traditional and alternative managed products was $57.0 million for the first quarter of 2019, a decrease of 5.1% from the first quarter of 2018 (see Asset Management below for further information). The decrease in advisory fees was due to a decrease in assets under management ("AUM") at December 31, 2018 as a result of the sell-off in the equities markets during the fourth quarter of 2018.
- Bank deposit sweep income was $34.0 million for the first quarter of 2019, an increase of 34.3% compared with $25.3 million for the first quarter of 2018 due to higher short-term interest rates during the first quarter of 2019.

Asset Management

Asset Management reported revenue of $16.6 million for the first quarter of 2019, 6.0% lower than the first quarter of 2018 due to lower AUM at December 31, 2018, which is the basis for advisory fees earned during the first quarter of 2019, as a result of the sell-off in the equities markets during the fourth quarter of 2018. Income before income taxes was $2.2 million for the first quarter of 2019, a decrease of 39.7% compared with the first quarter of 2018 due to lower AUM at December 31, 2018.

- Advisory fee revenue on traditional and alternative managed products was $16.6 million for the first quarter of 2019, a decrease of 4.4% from the first quarter of 2018 primarily due to lower AUM at December 31, 2018.
- Advisory fees are calculated based on the value of client AUM at the end of the prior quarter which totaled $26.7 billion at December 31, 2018 ($28.3 billion at December 31, 2017) and are allocated between the Private Client and Asset Management business segments.
- AUM increased 4.6% to $29.5 billion at March 31, 2019, near all-time highs, compared with $28.2 billion at March 31, 2018 which is the basis for advisory fee billings for the second quarter of 2019. The increase in AUM was comprised of asset appreciation of $0.8 billion and a positive net contribution of assets of $0.5 billion.

Table of Contents

The following table provides a breakdown of the change in assets under management for the three months ended March 31, 2019:

(Expressed in millions)

	For the three months ended March 31, 2019				
Fund Type	Beginning Balance	Contributions	Redemptions	Appreciation (Depreciation)	Ending Balance
Traditional (1)	$22,895	$ 954	$ (580)	$ 2,033	$25,302
Institutional Fixed Income (2)	700	9	(5)	22	726
Alternative Investments:					
Hedge funds (3)	2,416	38	(73)	385	2,766
Private Equity Funds (4)	220	—	—	(7)	213
Portfolio Enhancement Program (5)	498	—	(29)	—	469
	$26,729	$ 1,001	$ (687)	$ 2,433	$29,476

(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.

(5) The portfolio enhancement program sells uncovered, far out-of-money puts and calls on the S&P 500 Index. The program is market neutral and uncorrelated to the index. Valuation is based on collateral requirements for a series of contracts representing the investment strategy.

Capital Markets

Capital Markets reported revenue of $71.0 million for the first quarter of 2019, 15.3% higher than the first quarter of 2018 due to higher investment banking fees and principal transactions revenue. Loss before income taxes was $2.6 million for the first quarter of 2019, a decrease of 56.3% compared with loss before income taxes of $6.1 million for the first quarter of 2018.

- Institutional equities commissions increased 1.4% to $23.5 million for the first quarter of 2019 compared with the first quarter of 2018 due to higher levels of turnover in client portfolios and improved market penetration by the Company.
- Advisory fees earned from investment banking activities increased 77.7% to $16.7 million for the first quarter of 2019 compared with $9.4 million for the first quarter of 2018 due to an increase in mergers and acquisitions activity during the first quarter of 2019.
- Equities underwriting fees decreased 45.2% to $7.5 million for the first quarter of 2019 compared with the first quarter of 2018 due primarily to the U.S. government shutdown which limited access to the equities markets during the first quarter of 2019.
- Revenue from taxable fixed income increased to $16.5 million during the first quarter of 2019 from $12.1 million during the first quarter of 2018 due to higher trading income in taxable fixed income products as a result of institutional investors reacting to greater volatility in the fixed income markets as a result of sharply declining interest rates.
- Revenue from public finance and municipal trading increased to $5.2 million during the first quarter of 2019 from $2.4 million during the first quarter of 2018 due to higher fixed income advisory fees as well as higher municipal trading income during the first quarter of 2019.

Table of Contents

CRITICAL ACCOUNTING POLICIES

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, 2018.

The Company's accounting policies are essential to understanding and interpreting the financial results reported on 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 those statements and notes thereto found in its Annual Report on Form 10-K for the year ended December 31, 2018. 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 March 31, 2019, there were no material changes to matters discussed under the heading "Critical Accounting Polices" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2019, total assets increased by 12.8% from December 31, 2018. The Company satisfies its need for short-term financing from internally generated funds and collateralized and uncollateralized borrowings, consisting primarily of bank call loans, stock loans, and uncommitted lines of credit. We finance our trading in government securities through the use of securities sold under agreements to repurchase ("repurchase agreements"). We met our longer-term capital needs through the issuance of the 6.75% Senior Secured Notes due 2022 (the "Notes") (see "Refinancing" below). Oppenheimer has arrangements with banks for borrowings on a fully-collateralized basis. 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 furniture, equipment and leasehold improvements, and changes in stock loan balances and financing through repurchase agreements. At March 31, 2019, the Company had no such borrowings outstanding compared to outstanding borrowings of $15.0 million at December 31, 2018. The Company also has some availability of short-term bank financing on an unsecured basis.

The Company's overseas subsidiaries, Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited, are subject to local regulatory capital requirements that restrict our ability to utilize their capital for other purposes. The regulatory capital requirements for Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited were $4.4 million and $382,000, respectively, at March 31, 2019. The liquid assets at Oppenheimer Investments Asia Limited are primarily comprised of investments in U.S. Treasuries and cash deposits in bank accounts. 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 regulatory capital requirements.

The Company permanently reinvests eligible earnings of its foreign 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 the outside basis difference of its foreign subsidiaries is estimated at $3.1 million for those subsidiaries. We have continued to reinvest permanently 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. With the passage of the TCJA, we will continue to review our historical treatment of these earnings to determine whether our historical practice will continue or whether a change is warranted.

Refinancing

On June 23, 2017, in a private offering, we issued $200.0 million aggregate principal amount of 6.75% Senior Secured Notes due 2022 (the "Unregistered Notes") under an indenture at an issue price of 100% of the principal amount. On September 19, 2017, we completed an exchange offer in which we exchanged 99.8% of its Unregistered Notes for a like principal amount of notes with identical terms except that such new notes have been registered under the Securities Act of 1933, as amended (the "Notes"). We did not receive any proceeds in the exchange offer. The interest

on the Notes is payable semi-annually on January 1st and July 1st, beginning January 1, 2018. We used a portion of the net proceeds from the offering of the Unregistered Notes to redeem in full our 8.75% Senior Secured Notes due April 15, 2018 in the principal amount of $120.0 million, and pay all related fees and expenses related thereto. See note 10 to the condensed consolidated financial statements appearing in Item 1 for further discussion.

Table of Contents

On April 23, 2019, Moody's Corporation affirmed the Company's 'B2' Corporate Family rating and 'B1' rating on the Notes and changed its outlook to positive. On August 24, 2018, S&P affirmed the Company's 'B+' Corporate Family rating and 'B+' rating on the Notes and affirmed its stable outlook.

Liquidity

For the most part, the Company's assets consist of cash and cash equivalents and assets that it can readily convert into cash. The receivable from brokers, dealers and clearing organizations represents deposits for securities borrowed transactions, margin deposits or current transactions awaiting settlement. The receivable from customers represents margin balances and amounts due on transactions awaiting settlement. Our receivables are, for the most part, collateralized by marketable securities. Our collateral maintenance policies and procedures are designed to limit our exposure to credit risk. Securities owned, with the exception of the ARS, are mainly comprised of actively trading readily marketable securities. We advanced $3.7 million in forgivable notes (which are inherently illiquid) to employees for the three months ended March 31, 2019 ($5.4 million for the three months ended March 31, 2018) as upfront or backend inducements to continue employment. The amount of funds allocated to such inducements will vary with hiring activity.

We satisfy our 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, in most cases, collateralized by firm and customer securities.

We obtain short-term borrowings primarily through bank call loans. Bank call loans are generally payable on demand and bear interest at various rates. At March 31, 2019, the company did not have any bank call loans (the Company had $15.0 million at December 31, 2018 and $147.4 million at March 31, 2018). The average daily bank loan outstanding for the three months ended March 31, 2019 was $15.8 million ($96.3 million for the three months ended March 31, 2018). The largest daily bank loan outstanding for the three months ended March 31, 2019 was $76.9 million ($180.3 million for the three months ended March 31, 2018). The average weighted interest rate on bank call loans applicable on March 31, 2019 was 3.36%.

At March 31, 2019, securities loan balances totaled $232.4 million ($146.8 million at December 31, 2018 and $174.6 million at March 31, 2018). The average daily securities loan balance for the three months ended March 31, 2019 was $218.3 million ($192.9 million for the three months ended March 31, 2018). The largest daily stock loan balance for the three months ended March 31, 2019 was $249.1 million ($221.4 million for the three months ended March 31, 2018).

We finance our government trading operations through the use of securities purchased under agreements to resell ("reverse repurchase agreements") and 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 our repurchase agreements and reverse repurchase agreements are carried at fair value as a result of the Company's fair value option election. We elected the fair value option for those repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date. We have 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 March 31, 2019, we did not have any repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date.

At March 31, 2019, the gross balances of reverse repurchase agreements and repurchase agreements were $101.1 million and $369.1 million, respectively. The average daily balance of reverse repurchase agreements and repurchase agreements on a gross basis for the three months ended March 31, 2019 was $101.1 million and $369.0 million, respectively ($99.0 million and $675.0 million, respectively, for the three months ended March 31, 2018). The largest amount of reverse repurchase agreements and repurchase agreements outstanding on a gross basis during the three

months ended March 31, 2019 was $228.2 million and $891.0 million, respectively ($335.2 million and $894.0 million, respectively, for the three months ended March 31, 2018).
At March 31, 2019, the gross leverage ratio was 4.6.

Table of Contents

Liquidity Management

We manage our need for liquidity on a daily basis to ensure compliance with regulatory requirements. Our 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 our liquidity needs, we may have to seek additional external financing. The availability of such additional external financing may depend on market factors outside our control.

We regularly review our sources of liquidity and financing and conduct 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. Our reviews have resulted in plans that we believe 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 three months ended March 31,	
	2019	2018
Cash provided by (used in) operating activities	$15,327	$(27,543)
Cash used in investing activities	(3,448)	(3,096)
Cash (used in) provided by financing activities	(19,481)	25,200
Net decrease in cash and cash equivalents	$(7,602)	$(5,439)

Management believes that funds from operations, combined with our capital base and available credit facilities, are sufficient for our 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 we rely to back away from providing funding to the securities industry. Such a development might impact our ability to finance our day-to-day activities or increase the costs to acquire funding. We may or may not be able to pass such increased funding costs on to our clients.

OFF-BALANCE SHEET ARRANGEMENTS

Information concerning our off-balance sheet arrangements is included in note 7 to the condensed consolidated financial statements appearing in Item 1. Such information is hereby incorporated by reference. Also, see "Risk Factors — The Company may continue to be significantly affected by the failure of the Auction Rate Securities Market" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 as well as "Regulatory and Legal Environment — Other Regulatory Matters" herein for additional details.

Table of Contents

CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as of March 31, 2019:

(Expressed in thousands)

	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating Lease Obligations [(1)(2)]	300,946	30,178	75,200	61,269	134,299
Future Lease Obligation [(3)]	11,854	263	713	2,405	8,473
Committed Capital	3,324	1,399	1,925	—	—
Senior Secured Notes [(4)(5)]	247,288	13,500	27,000	206,788	—
ARS Purchase Commitments [(6)]	7,429	—	7,429	—	—
Total	$570,841	$ 45,340	$112,267	$270,462	$ 142,772

(1) See note 3 to the condensed consolidated financial statements appearing in Item 1 for additional information.
(2) Includes interest liability of $88.0 million.
(3) Obligation includes legally binding minimum lease payments for leases signed but not yet commenced.
(4) See note 10 to the condensed consolidated financial statements appearing in Item 1 for additional information.
(5) Includes interest payable of $54.0 million through maturity.
(6) See note 12 to the condensed consolidated financial statements appearing in Item 1 for additional information.

CYBERSECURITY

For many years, we have sought to maintain the security of our clients' data, limit access to its data processing environment, and protect our data processing facilities. See "Risk Factors — The Company may be exposed to damage to its business or its reputation by cybersecurity incidents" as further described in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018. Recent examples of vulnerabilities by other companies and the government that have resulted in loss of client data and fraudulent activities by both domestic and foreign actors have caused us to continuously review our security policies and procedures and to take additional actions to protect our network and our information.

Given the importance of the protection of client data, regulators have developed increased oversight of cybersecurity planning and protections that broker-dealers and other financial service providers have implemented. Such planning and protection are subject to the SEC's and FINRA's oversight and examination on a periodic or targeted basis. We expect that regulatory oversight will intensify, as a result of publicly announced data breaches by other organizations involving tens of millions of items of personally identifiable information. We continue to implement protections and adopt procedures to address the risks posed by the current information technology environment. The Company has significantly increased the resources dedicated to this effort and believes that further increases may be required in the future, in anticipation of increases in the sophistication and persistency of such attacks. There can be no guarantee that our cybersecurity efforts will be successful in discovering or preventing a security breach.

REGULATORY MATTERS AND DEVELOPMENTS

Regulation Best Interest (U.S.)

On April 18, 2018, the SEC announced its proposed "Regulation Best Interest," a package of rulemakings and interpretations that address customers' relationships with investment advisers and broker-dealers. Regulation Best Interest would enact an intermediate standard requiring advisers and broker-dealers to act in the clients' "best interest" at all times. The proposed rules would require substantially greater record keeping than is currently the case. The rules would be applicable to all customers of broker-dealers and investment advisers. The public comment period applicable to Regulation Best Interest expired on August 7, 2018. The SEC has indicated its intention to move forward with a final rule proposal in the fall of 2019. It is too soon to predict whether and in what form the SEC will adopt Regulation Best Interest, the effect it may have on broker-dealers and investment advisers generally, the specific effect it will have on the Company's broker-dealer and investment management businesses, and the effect it will have on the Company’s competitive position in the financial services industry.

We are reviewing our business and operating models in light of the proposed Regulation Best Interest and may make further structural and operational changes to those previously made in light of the vacated DOL Fiduciary Rules and in anticipation of the SEC adopting a version of proposed Regulation Best Interest.

Table of Contents

MiFID II (Europe)

The European Commission recently adopted several acts under the revised Markets in Financial Instruments Directive (known as "MiFID II") that prevent broker-dealers operating in the European Union ("EU") from "bundling" the cost of research together with trading commissions. These rules became effective on January 3, 2018. Our ability to be compensated for equity research activities has been reduced and institutional clients are required to make payments for research through cash payments rather than transaction based commissions. MiFID II has had an impact on the manner in which business is being conducted in the United Kingdom ("UK") and in Europe with a noticeable reduction in the availability of equity research particularly in relation to smaller issuers. The long term effects of these changes on global securities markets and on competition in the EU and UK are impossible to predict.

BREXIT (Europe and United Kingdom)

In June 2016, in a referendum to consider the UK's continued participation in the EU, the UK voted in favor of withdrawing from the EU ("BREXIT"). The British government instituted Rule 50 on March 30, 2017 thereby beginning a two-year period during which Great Britain and the EU will define their relationship effective with Great Britain's departure from the EU. The two-year period has now expired and the EU and Great Britain agreed to extend the decision to October 31, 2019. BREXIT has created significant uncertainty in both the UK and in the other member states around its economic impact and the operating requirements for businesses located in the UK after the effective date. We have a London-based business and the ability for it to passport its employees to conduct a financial services business in the EU post-BREXIT is in considerable doubt. To date, there has been no discernible progress on the post-BREXIT relationship between the EU and the UK. The British Parliament has passed resolutions which appear to eliminate the possibility of a “hard BREXIT” whereby the UK would leave the European Union with no agreement. It also appears that most countries remaining in the EU post-BREXIT will provide a period of time for rules affecting UK based firms to be enforced. Given the lack of clarity on the ultimate post-BREXIT relationship between Great Britain and the EU, we cannot fully determine what, if any, impact BREXIT may have on our operations, both inside and outside the UK. The Company has opened an office in Frankfurt, Germany in the EU for its investment banking business and it will be available in the eventuality that it is needed in order to continue to conduct a securities business in the EU post-BREXIT. Depending on the outcome of negotiations between UK and EU, we might need to relocate a portion of our business out of the UK to continue coverage of clients located in the EU. If a relocation was deemed necessary, the business would be moved to a location based in the EU.

Regulatory Environment

See the discussion of the regulatory environment in which we operate and the impact on our operations of certain rules and regulations in Item 1 “Business - Regulation” and Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Regulatory and Legal Environment” of Annual Report on Form 10-K for the year ended December 31, 2018.

Oppenheimer and many of its affiliates are each subject to various regulatory capital requirements. As of December 31, 2018, all of our active regulated domestic and international subsidiaries had net capital in excess of minimum requirements. See note 13 of the Notes to Condensed Consolidated Financial Statements in Item 1 for further information on regulatory capital requirements.

Regulatory Matters

On January 27, 2015, the SEC approved an Offer of Settlement from Oppenheimer and issued an Order Instituting Administrative and Cease and Desist Proceedings (the "SEC Order"). Pursuant to the SEC Order, Oppenheimer was ordered to, amongst other things, retain an independent consultant to review Oppenheimer's policies and procedures relating to anti-money laundering and Section 5 of the Securities Act of 1933. In July 2015, the Company created a Compliance Committee made up of independent directors to oversee our compliance with applicable rules and regulations.

In May and June 2017, our initial independent consultant delivered to the Company reports in connection with the January 2015 SEC Order, and another report in connection with the SEC's Municipalities Continuing Disclosure Cooperation "MCDC Initiative " (collectively, the "Required Reports"). Each of the reports has been reviewed by the Company and the Compliance Committee. In June 2018, the SEC began an examination of the Company to review our assertions with respect to our fulfillment of our initial independent consultant's recommendations appearing in the Required Reports. That examination concluded in November of 2018. On October 29, 2018, the Company's initial independent consultant resigned. On February 1, 2019 we engaged successor independent consultants ("Successor IC's") to complete the review of the implementation of the recommendations made in the Required Reports. We expect to work with the Successor IC's to finalize the implementation of the remaining recommendations highlighted by the SEC exam staff during the examination.

Table of Contents

FACTORS AFFECTING "FORWARD-LOOKING STATEMENTS"

From time to time the Company may publish or make oral statements that constitute “forward-looking statements” under the Private Securities Litigation Reform Act of 1995 which provides a safe harbor for forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues, earnings, liabilities or expenses business prospects, projected ventures, new products, anticipated market performance, and similar matters. 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: volumes and volatility in the securities markets, fluctuations in interest and/or currency rates, regulatory developments (general economic conditions, both domestic and international, competition in various forms legal developments including litigation and regulatory enforcement,developments arising from the failure of the Auction Rate Securities markets, changes in foreign, federal and state tax laws costs, including compensation expense, (war, terrorist acts, political unrest and health epidemics and other force majeure developments), corporate governance issues, financing liquidity credit, operational, legal and regulatory risks, risks related to foreign operations including risks related to the UK's decision to exit the EU or BREXIT, and potential cybersecurity threats, Forward looking statements are not guarantees and they involve risks, uncertainties, and assumptions. There can be no assurance that the Company has correctly or completely identified and assessed all of the factors affecting the Company's business. Investors should not rely unduly on any forward looking statements and should carefully consider the risks described in our filings with the SEC from time to time. The Company does not undertake any obligation to publicly update or revise any forward-looking statements. See "Risk Factors" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Table of Contents

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three months ended March 31, 2019, 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, 2018.

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 pursuant to Rule 13a–15(e) of the Exchange Act. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report.

Management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the Company's disclosure controls and procedures or its internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision–making can be faulty and that break-downs can occur because of a simple error or omission. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based, in part, upon certain assumptions about the likelihood of future events. 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 controls over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) during the three months ended March 31, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Table of Contents

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 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 since the financial crisis of 2008, including investigations by multiple regulators of matters involving the same or similar underlying facts and seeking substantial penalties, fines or other monetary relief.

While the ultimate resolution of routine pending litigation, regulatory 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 condensed consolidated balance sheet and statement of cash flow. 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, litigations or regulatory proceedings currently filed or to be filed against the Company, could have a material adverse effect on the Company's results of operations and financial condition, including its cash position. The materiality of legal and regulatory 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 and regulatory matters. See "Risk Factors — The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory and Legal Environment — Other Regulatory Matters" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting 'Forward-Looking Statements'" in Part I, Item 2.

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, the Company has not established reserves for those matters. For legal or 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 $21.0 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 it can make an estimate. 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.

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. See "Risk Factors — The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory and Legal Environment — Other Regulatory Matters" in Part I, Item 2 for additional details.

As previously disclosed, Oppenheimer, without admitting or denying liability, entered into a Consent Order (the "Order") with the Massachusetts Securities Division (the "MSD") on February 26, 2010 and an Assurance of

Discontinuance ("AOD") with the New York Attorney General ("NYAG" and together with the MSD, the "Regulators") on February 23, 2010, each in connection with Oppenheimer's sales of ARS to retail and other investors in the Commonwealth of Massachusetts and the State of New York.

Pursuant to the terms of the Order and AOD, the Company commenced and closed seventeen offers to purchase ARS from customer accounts when the Company's latest offer to purchase expired on October 8, 2018. 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 March 31, 2019, the Company had purchased and holds (net of redemptions) $40.7 million of ARS pursuant to 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 75 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, pursuant to the Order, Oppenheimer agreed to offer margin loans against eligible collateral for other Massachusetts clients not covered by the offers to purchase. As of March 31, 2019, Oppenheimer had extended margin loans to two 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; (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.

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.

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 September 30, 2018 and in the Company's Annual Reports on Form 10-K for the years ended December 31, 2010 through and including 2018, for additional details of the agreements with the MSD and NYAG.

As of March 31, 2019, there were no pending ARS-related cases against Oppenheimer. As of March 31, 2019, eleven ARS matters were concluded in either court or arbitration with Oppenheimer prevailing in four of those matters and the claimants prevailing in seven of those matters. The Company has purchased approximately $7.6 million in ARS from the prevailing claimants in those seven actions. In addition, the Company has made cash payments of approximately $12.7 million as a result of legal settlements with clients. It is possible, however, that other individuals or entities that purchased ARS from Oppenheimer may bring additional claims against Oppenheimer in the future for

repurchase or rescission.

See "Risk Factors — The Company may continue to be adversely affected by the failure of the Auction Rate Securities Market" in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory and Legal Environment — Other Regulatory Matters" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Off-Balance Sheet Arrangements" in Part I, Item 2.

Table of Contents

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. The 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 (the "Court of Appeals"). On July 27, 2011, the Court of Appeals denied the Trustee's Petition. The Trustee then appealed to the 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. On January 10, 2017, Oppenheimer's motion for summary judgment was granted in full, and judgment was entered in Oppenheimer's favor and the court dismissed the case. On January 24, 2017, the Trustee appealed the summary judgment order to the U.S.N.D. GA. On February 12, 2018, the U.S.N.D. GA issued an order (the "District Court Order") reversing the Bankruptcy Court's summary judgment order and remanding the proceedings to the Bankruptcy Court. In March 2018, Oppenheimer moved to certify the District Court Order for interlocutory appeal. The Trustee opposed the motion for interlocutory appeal. On June 28, 2018, the Eleventh Circuit dismissed the direct appeal. On February 27, 2019, Oppenheimer's motion for interlocutory appeal before the U.S.N.D. GA was denied. The U.S.N.D. GA will set a date for trial to commence sometime in 2019. Oppenheimer believes it has meritorious defenses and intends to defend the claims vigorously.

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. asserted cross-claims against Oppenheimer Holdings Inc., Oppenheimer Asset Management Inc., Oppenheimer Investment Management LLC, and Oppenheimer Trust Company of Delaware Inc. alleging 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.

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. That case is in fact discovery. 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.

In January 2017, Oppenheimer received a Notice of Civil Claim in the Supreme Court of British Columbia, Canada by Teck Metals Ltd. against Oppenheimer Holdings Inc. as well as co-defendants Western Forest Products Inc., Xylem Canada Company/Societe Xylem Canada, JRM Financial Services Ltd. and Glencore Corporation Canada. The civil claim seeks damages and/or the cost of environmental clean-up for property purportedly managed during the period 1965-66 by a predecessor company of Oppenheimer Holdings Inc. The underlying claim involves alleged adverse environmental impact at the Sunro Mine, located in British Columbia, which properties are now owned by plaintiff and seeks unspecified damages from defendants. To date, the plaintiff has not actively prosecuted the claim. The other defendants have various alleged historical connections to the property, which plaintiff contends allows plaintiff to assert claims against those defendants, as well as Oppenheimer Holdings Inc. Oppenheimer believes it has meritorious defenses to the claims and intends to defend itself vigorously.

61

Table of Contents

Item 1A. RISK FACTORS

During the three months ended March 31, 2019, 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, 2018.

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

(a) During the first quarter of 2019, the Company issued 61,091 shares of Class A Stock pursuant to the Company's share-based compensation plans to certain employees of the Company for no cash consideration. Such issuances were exempt from registration pursuant to Section 4(a)(2) of the Securities Act of 1933.

(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 (unaudited): (i) the Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018, (ii) the Condensed Consolidated Statements of Income for the three months ended March 31, 2019 and 2018, (iii) the Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2019 and 2018, (iv) the Condensed Consolidated Statements of Changes in Stockholders' Equity for the three months ended March 31, 2019 and 2018, (v) the Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018, 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.

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, State of New York, on the 26th day of April, 2019.

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)