As filed with the U.S. Securities and Exchange Commission on March 1, 2021

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

# FORM 10-K

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2020

OR

☐ 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) |

Registrant's Telephone number, including area code: (212) 668-8000

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Class A non-voting common stock | OPY | The New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act:

Not Applicable
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes ☐ No ☒

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 ☒ No ☐

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 ☒ No ☐

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. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated Filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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.
☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting stock of the Company held by non-affiliates of the Company cannot be calculated in a meaningful way because there is only limited trading in the class of voting stock of the Company. The aggregate market value of the Class A non-voting common stock held by non-affiliates of the Company at June 30, 2020 was $271.2 million based on the per share closing price of the Class A non-voting common stock on the New York Stock Exchange on June 30, 2020 of $21.79.

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 March 1, 2021 was 12,580,734 and 99,665 shares, respectively.

**DOCUMENTS INCORPORATED BY REFERENCE**

The Company's definitive Proxy Statement for the 2021 Annual Meeting of Stockholders to be filed by the Company pursuant to Regulation 14A is incorporated into Items 10, 11, 12, 13 and 14 of Part III of this Form 10-K.

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*Throughout this annual report, we refer to Oppenheimer Holdings Inc., collectively with its subsidiaries, as the "Company." We refer to the directly and indirectly owned subsidiaries of Oppenheimer Holdings Inc. collectively as the "Operating Subsidiaries."*

## PART I

## Item 1. BUSINESS

### OVERVIEW

Oppenheimer Holdings Inc. ("OPY" or the "Parent"), through its Operating Subsidiaries (together, the "Company", "we", "our" or "us"), is a leading middle-market investment bank and full service broker-dealer. With roots tracing back to 1881, the Company is engaged in a broad range of activities in the financial services industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), equity & fixed income research, market-making, trust services and investment advisory and asset management services. The Company owns, directly or through subsidiaries, Oppenheimer & Co. Inc. ("Oppenheimer"), a New York-based securities broker-dealer and investment adviser, Oppenheimer Asset Management Inc. and its subsidiary advisors ("OAM"), a New York-based investment adviser, Freedom Investments, Inc. ("Freedom"), a discount securities broker-dealer based in New Jersey, Oppenheimer Trust Company ("Oppenheimer Trust"), a Delaware limited purpose bank, and OPY Credit Corp. ("OPY Credit"), a New York corporation organized to trade and clear syndicated corporate loans. We conduct our international businesses through Oppenheimer Europe Ltd. (United Kingdom with offices in the Isle of Jersey, Germany and Switzerland), Oppenheimer Investments Asia Limited (Hong Kong), and Oppenheimer Israel (OPCO) Ltd. (Israel).

Oppenheimer Holdings Inc. was originally incorporated under the laws of British Columbia. Pursuant to its Certificate and Articles of Incorporation, effective on May 11, 2005, the Company's legal existence was continued under the Canada Business Corporations Act. Effective May 11, 2009, the Company changed its jurisdiction of incorporation from the federal jurisdiction of Canada to the State of Delaware in the United States with the approval of its shareholders.

### PRIVATE CLIENT

Through its Private Client Division, Oppenheimer provides a comprehensive array of financial services through a network of 1,002 financial advisors in 92 offices located throughout the United States. Clients include high-net-worth individuals and families, corporate executives, and public and private businesses. Clients may choose a variety of ways to establish a relationship and conduct business including brokerage accounts with transaction-based pricing and/or investment advisory accounts with asset-based fee pricing. As of December 31, 2020, the Company held client assets under administration of $104.8 billion. Oppenheimer provides the following private client services:

***Full-Service Brokerage —*** Oppenheimer offers full-service brokerage covering investment alternatives including exchange-traded and over-the-counter corporate equity and debt securities, money market instruments, exchange-traded options and futures contracts, municipal bonds, mutual funds, exchange-traded funds, and unit investment trusts. A portion of Oppenheimer's revenue is derived from commissions from private clients through accounts with transaction-based pricing. Brokerage commissions are charged on investment products in accordance with a schedule which Oppenheimer has formulated. Discounts are available to and can be negotiated with customers based on transaction size and volume as well as a number of other factors. In recent years, an increasing number of clients have chosen to do business through fee-based accounts.

***Wealth Planning —*** Oppenheimer also offers financial and wealth planning services which include asset management, individual and corporate retirement solutions, insurance and annuity products, IRAs and 401(k) plans, U.S. stock plan services to corporate executives and businesses, education savings programs, and trust and fiduciary services to individual and corporate clients.

***Margin Lending —*** Oppenheimer extends credit to its customers, collateralized by securities and cash in the customer's account, for a portion of the purchase price, and receives income from interest on such extensions of credit at interest rates derived from Oppenheimer's posted rate as adjusted, from time to time.

**ASSET MANAGEMENT**

OAM is responsible for the Company's advisory programs and alternative investments businesses. The business includes discretionary and non-discretionary fee-based programs sponsored by Oppenheimer, OAM, Oppenheimer Investment Advisers ("OIA"), a division of OAM and Oppenheimer Investment Management LLC ("OIM"), as well as alternative investments sponsored through Advantage Advisers Multi Manager LLC, Advantage Advisers Management, LLC and Oppenheimer Alternative Investment Management LLC.

OAM offers tailored investment management solutions and services to high-net-worth private clients, institutions and corporations and/or plans sponsored by them. These include, but are not limited to, portfolio management, manager research and due diligence, asset allocation advice and financial planning. OAM offers proprietary and third party investment management capabilities through separately managed accounts, alternative investments and discretionary and non-discretionary portfolio management programs as well as managed portfolios of mutual funds. Platform support functions include sales and marketing along with administrative services such as trade execution, client services, records management and client reporting and performance monitoring as well as custody through Oppenheimer.

At December 31, 2020, the Company had $38.8 billion of client assets under management ("AUM") in fee-based programs. Revenues for OAM are generated by investment advisory and transactional fees for advisory services and revenue from sharing arrangements with registered and private alternative investment vehicles. OAM earns investment advisory fees on all assets held in discretionary and non-discretionary asset-based programs. These fees are typically billed quarterly, in advance, and are calculated based on all fee-based AUM balances at the end of the prior quarter. OAM also receives income from revenue sharing arrangements that are derived from management and incentive fees on alternative investments and are calculated on a pre-determined basis with registered and private investment companies.

The Company's asset management services include:

***Separately Managed Accounts -*** The Company provides clients with two fee-based programs: (i) a Unified Managed Account which allows multiple investment managers, mutual funds and exchange-traded funds to be combined in a single custodial account; and (ii) a Strategic Asset Review dual contract program designed for clients seeking a direct contractual relationship with investment managers.

***Mutual Fund Managed Accounts -*** The Company offers two fee-based mutual fund managed account programs through Portfolio Advisory Services ("PAS"): (i) PAS, a non-discretionary advisory program where clients choose mutual funds approved by the Company to create strategic asset allocations; and (ii) PAS Directed, a discretionary advisory program where an Oppenheimer advisor chooses the mutual funds to create the asset allocation and portfolio construction.

***Discretionary Advisory Accounts -*** Oppenheimer offers three discretionary portfolio management programs. Through its Omega and Fahnestock Asset Management programs, Oppenheimer offers client-focused discretionary fee-based investment programs managed by Oppenheimer advisors.

***Non-Discretionary Advisory Accounts*** - Under Oppenheimer's Preference Program, Oppenheimer provides fee-based non-discretionary investment advisory services and consultation to clients.

***Alternative Investments -*** The Company offers high-net-worth and institutional investors the opportunity to participate in a wide range of non-traditional investment strategies. Strategies include single manager hedge funds, fund of funds, diversified private equity funds and single investment late stage private equity funds. For proprietary funds, the Company, through its subsidiaries, acts as a general partner.

***Portfolio Enhancement Program*** - The Company offers qualified option investors the opportunity to participate in the Portfolio Enhancement Program which sells uncovered, out-of-the-money puts and calls on the S&P 500 Index. The program is funded and supported through special memorandum account releases from the collateral in an account owned by the investor.

***Oppenheimer Investment Advisers -*** OIA provides taxable and non-taxable fixed income portfolios and strategies managed by internal portfolio managers.

***Oppenheimer Investment Management LLC -*** OIM provides institutional taxable fixed income portfolio management strategies and solutions to Taft-Hartley funds, public pension funds, corporate pension funds, insurance companies, foundations and endowments.

## CAPITAL MARKETS

### Investment Banking

Oppenheimer employs more than 125 investment banking professionals in the United States, the United Kingdom, Germany and Israel. Oppenheimer's investment banking division provides strategic advisory services and capital markets products to emerging growth and middle market businesses as well as financial sponsors. The investment banking industry coverage groups focus on the consumer & retail, energy, financial institutions, healthcare, rental services, technology and transportation and logistics sectors. Oppenheimer's industry coverage teams partner with Oppenheimer's Mergers and Acquisitions practice as well as Equities and Fixed Income platforms to provide its clients with tailored advice and complete access to capital markets.

***Financial Advisory —*** Oppenheimer advises buyers and sellers on sales, divestitures, mergers, acquisitions, tender offers, privatizations, spin-offs, joint ventures, restructurings and liability management. Oppenheimer provides dedicated senior banker focus to clients throughout the financial advisory process, which combines our structuring and negotiating expertise with our industry knowledge, extensive relationships and capital markets capabilities.

***Equities Capital Markets —*** Oppenheimer provides a full spectrum of capital raising solutions for corporate clients through initial public offerings, follow-on offerings, confidentially marketed public offerings, registered directs, private investments in public equity, private placements, at-the-market offerings, equity-linked offerings and special purpose acquisition companies ("SPACs"). Oppenheimer is a leading underwriter of mid- and small-cap equity offerings and SPACs, where it may act as a Lead Bookrunner, Joint Bookrunner or Co-Manager as the case may be.

***Debt Capital Markets —*** Oppenheimer offers a full range of debt capital markets solutions for emerging growth and middle market companies and financial sponsors. Oppenheimer focuses on structuring and distributing public and private debt through financing transactions, including leveraged buyouts, acquisitions, growth capital financings, recapitalizations and Chapter 11 exit financings. Oppenheimer also participates in high yield debt and fixed and floating-rate senior and subordinated debt offerings. In addition, Oppenheimer advises on and acts as underwriter or placement agent on bond financings for both sovereign and corporate emerging market issuers.

### Equities Division

Oppenheimer employs 38 senior research analysts covering over 600 equity securities, primarily listed in the U.S. and over 75 dedicated equity sales and trading professionals in offices throughout the U.S., in the UK (London), Switzerland (Geneva), and in Asia (Hong Kong). Oppenheimer provides fundamental equity research, execution services and access to all major U.S. equity exchanges and alternative execution venues, in addition to capital markets/origination, various arbitrage strategies, portfolio and electronic trading. Oppenheimer offers a suite of quantitative and algorithmic trading solutions to access liquidity in global markets. Oppenheimer's clients include domestic and international investors such as investment advisers, banks, mutual funds, insurance companies, hedge funds, and pension and profit sharing plans, that are attracted by the research product, insights and market intelligence provided by sales and trading staff as well as by the quality of execution (measured by volume, timing, price and other factors), and competitive negotiated commission rates.

***Institutional Equity Sales and Trading —*** Oppenheimer acts as both principal and agent in the execution of its customers' orders. Oppenheimer buys, sells and maintains an inventory in order to "make a market". In executing customer orders for securities in which it does not make a market, Oppenheimer generally charges a commission and acts as agent, or will act as principal by marking the security up or down in a riskless transaction. When an order is in a security in which Oppenheimer makes a market, Oppenheimer normally acts as principal and purchases from or sells to its brokerage customers at a price which is approximately equal to the current inter-dealer market price plus or minus a mark-up or mark-down. The stocks in which Oppenheimer makes a market may also include those of issuers which are followed by Oppenheimer's research department.

***Equity Research —*** Oppenheimer provides regular research reports, notes and earnings updates and also sponsors research conferences where the management of covered companies can meet with investors in a group format as well as in one-on-one meetings. Oppenheimer arranges for company managements to meet with interested investors through arranged meetings wherein management representatives travel to various sites to meet with Oppenheimer representatives and with investors. Oppenheimer's analysts use a variety of quantitative and qualitative tools, integrating field analysis, proprietary channel checks and ongoing dialogue with the managements of the companies they cover in order to produce reports and studies on individual companies and industry developments. Due to the global Coronavirus Pandemic, to ensure the health and safety of staff members, clients and vendors, during the period from approximately March 15th and continuing throughout the year 2020, Oppenheimer substituted all meetings formerly held 'in-person' with virtual style meetings using a variety of technology platforms and media such as Zoom, WebEx etc.

***Equity Derivatives and Index Options —*** Oppenheimer offers listed equity and index options strategies for investors seeking to manage risk and optimize returns within the equities market. Oppenheimer's experienced professionals have expertise in many listed derivative products designed to serve the diverse needs of its institutional, corporate and private client base.

***Convertible Bonds —*** Oppenheimer offers expertise in the sales, trading and analysis of U.S. domestic convertible bonds, convertible preferred shares and warrants, with a focus on minimizing transaction costs and maximizing liquidity. In addition Oppenheimer offers hedged (typically long convertible bonds and short equities) positions to its clients on an integrated trade basis.

***Event Driven Sales and Trading —*** Oppenheimer has a dedicated team focused on providing specialized advice and trade execution expertise to institutional clients with an interest in investment strategies such as: risk / merger arbitrage, Dutch tender offers, splits and spin-offs, recapitalizations, corporate reorganizations, and other event-driven trading strategies.

**Taxable Fixed Income**

Oppenheimer employs over 85 dedicated fixed income sales and trading professionals in offices in the U.S., the United Kingdom (London and Isle of Jersey) and Asia (Hong Kong). Oppenheimer offers capabilities in trading and sales, investment grade and high yield corporate bonds; mortgage-backed securities; U.S. government and Agency bonds; and the sovereign and corporate debt of industrialized and Emerging Market countries, which may be denominated in currencies other than U.S. dollars. Oppenheimer also publishes desk analysis with respect to a number of such securities. Risk of loss upon default by the borrower is significantly greater with respect to unrated or non-investment grade securities than with investment grade securities. These securities are generally unsecured and are often subordinated to other creditors of the issuer. These issuers usually have high levels of indebtedness and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. Oppenheimer also participates in auctions for U.S. government securities conducted by the Federal Reserve Bank of New York on behalf of the U.S. Treasury Department as well as those of government agencies such as Federal National Mortgage Association, Government National Mortgage Association and Federal Home Loan Banks.

***Institutional Fixed Income Sales and Trading -*** Oppenheimer trades and holds positions in public and private debt (including sovereign debt) securities, including investment and non-investment grade, distressed and convertible corporate securities as well as municipal securities. There may be a limited market for some of these securities and market quotes may be available from only a small number of dealers or inter-dealer brokers. While Oppenheimer normally holds such securities for a short period of time in order to facilitate client transactions, there is a risk of loss upon default by the borrower or from a change in interest rates affecting the value of the security. These issuers may have high levels of indebtedness and be sensitive to adverse economic conditions, such as recession or increasing interest rates.

***Fixed Income Research -*** Oppenheimer has a total of six fixed income research professionals covering high yield corporate, mortgage backed, emerging market, and municipal securities. Oppenheimer's High Yield corporate bond research effort is designed to identify United States debt issuances that provide a combination of high current yield plus capital appreciation over the short to medium term. Its mortgage backed securities practice focuses on the detailed analysis of individual agency and non-agency mortgage backed securities. Professionals cover emerging markets fixed income issuers, focus on sovereign bonds and providing commentary on emerging market corporate bond issuers. Municipal bond research professionals are dedicated to the tax-exempt municipal bond market.

**Public Finance and Municipal Trading**

***Public Finance -*** Oppenheimer's public finance group advises and raises capital for state and local governments, public agencies, private developers and other borrowers. The group assists its clients by developing and executing capital financing plans that meet our clients' objectives and by maintaining strong national institutional and retail securities distribution capabilities. Public finance bankers have expertise in specific areas, including local governments and municipalities, primary and secondary schools, post-secondary and private schools, state and local transportation entities, health care institutions, senior-living facilities, public utility providers and project financing as well as lease financings through the issuance of taxable municipal bonds. In addition to underwriting longer-term municipal securities, Oppenheimer also underwrites municipal revenue anticipation, tax anticipation and bond anticipation notes for local government issuers, as well as short-term bonds for bridge financing and real estate projects.

***Municipal Trading -*** Oppenheimer has regionally based municipal bond trading desks serving our retail financial advisors and their clients. The desks serve Oppenheimer's financial advisors in supporting their high-net-worth clients' needs for taxable and non-taxable municipal securities. The firm also maintains a dedicated institutional municipal bond sales and trading effort focused on serving mid-tier and national institutional accounts. The institutional desks assist in distributing municipal securities originated by the Public Finance Department.

**Proprietary Trading and Investment Activities**

In the regular course of its business, Oppenheimer takes securities positions as a market maker and/or principal to facilitate customer transactions and for investment purposes. In making markets and when trading for its own account, Oppenheimer exposes its own capital to the risk of fluctuations in market value. In 2010, Congress enacted the Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") that prohibits proprietary trading by certain financial institutions (the "Volcker Rule") except where facilitating customer trades. The Volcker Rule went into effect in July 2015 and does not impact the Company's business or operations as it applies to banks and other subsidiaries of bank holding companies only.

The size of Oppenheimer's securities positions vary substantially based upon economic and market conditions, allocations of capital, underwriting commitments and trading volume. Also, the aggregate value of inventories of securities which Oppenheimer may carry is limited by the Net Capital Rule. See "Regulatory Capital Requirements" herein and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources" in Item 7.

The Company, through its subsidiaries, holds investments as general partner in a range of investment partnerships (hedge funds, fund of funds, private equity partnerships and real estate partnerships) which are offered to Oppenheimer hedge fund-qualified clients and on a limited basis to qualified clients of other broker-dealers. The Company may also take proprietary long-term investment positions in private companies where the Company believes the investment has the possibility of growth in the value of the investment based on the intrinsic business. Any such investments may also be a pre-cursor to offering participations in such investments through private early round partnership interests to qualified high net worth investors.

**Repurchase Agreements**

Additionally, through the use of securities sold under agreements to repurchase and securities purchased under agreements to resell, the Company provides funding for various inventory positions.

**Securities Lending**

In connection with both its trading and brokerage activities, Oppenheimer borrows securities to cover short sales and to complete transactions in which customers have failed to deliver securities by the required settlement date and lends securities to other brokers and dealers for similar purposes. Oppenheimer earns interest on its cash collateral provided and pays interest on the cash collateral received less a rebate earned for lending securities.

**CONSOLIDATED SUBSIDIARIES**

**Oppenheimer & Co. Inc.**

Oppenheimer is a registered broker-dealer with the U.S. Securities Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and an investment adviser under the Investment Adviser Act of 1940, as amended (the "Adviser Act"), and transacts business on various exchanges. Oppenheimer engages in a broad range of activities in the securities industry, including retail securities brokerage, institutional sales and trading, investment banking and underwritings (both corporate and public finance), research, market-making, and investment advisory and asset management services. Oppenheimer provides its services from offices located in the United States.

**Oppenheimer Asset Management Inc.**

OAM is registered as an investment adviser with the SEC under the Adviser Act. OAM provides investment advice to clients through separate accounts and wrap fee programs.

**OPY Credit Corp.**

OPY Credit was formed in order to facilitate leveraged loan transactions on behalf of investment banking clients seeking such services.

**Oppenheimer Trust Company of Delaware Inc.**

Oppenheimer Trust offers a wide variety of trust services to clients of Oppenheimer. This includes custody services, advisory services and specialized servicing options for clients. At December 31, 2020, Oppenheimer Trust held custodial assets of $370.0 million. See "Other Requirements" herein.

**Freedom Investments, Inc.**

Freedom offers discount services to a small number of individual clients. The Company is exploring expanding its services to offer a full spectrum of services to independent advisers and registered investment advisers ("RIAs") clearing through Oppenheimer. The Company is currently developing the technology platform that would potentially support such a service offering.

## ADMINISTRATION AND OPERATIONS

Administration and operations personnel are responsible for the processing of securities transactions; the receipt, identification and delivery of funds and securities; the maintenance of internal financial controls; accounting functions; custody of customers' securities; the handling of margin accounts for Oppenheimer and its correspondents; and general office services.

Oppenheimer executes its own and certain of its correspondents' securities transactions on all United States exchanges as well as many non-U.S. exchanges and in the over-the-counter market. Oppenheimer clears all of its securities transactions (i.e., it delivers securities that it has sold, receives securities that it has purchased and transfers related funds) through its own facilities and through memberships in various clearing corporations and accounts with custodian banks in the United States as well as non-U.S. securities through EuroClear. The Company clears its non-U.S. international equities business in securities traded on European exchanges, carried on by Oppenheimer Europe Ltd. through Global Prime Partners Ltd. Oppenheimer has a multi-currency platform which enables it to facilitate client trades in securities denominated in foreign currencies. Oppenheimer operates as an introducing broker and introduces its clients' commodities transactions through a correspondent firm on a fully disclosed basis. Through this arrangement, Oppenheimer offers full commodity services on all commodity exchanges.

## HUMAN CAPITAL OVERVIEW

The Company views human capital resources as its total workforce (full-time and part-time employees and consultants) and the various formal and informal programs and resources to support, recruit, train, and retain its workforce. As a financial services firm, our business relies extensively on our human capital resources to provide the highest level of services to meet the needs of our clients. The Company's human capital network includes, but is not limited to, financial advisors, research analysts, investment bankers, sales and trading professionals, portfolio managers, market analysts as well as employees in various support functions throughout the firm. The Company's human capital management strategy is defined by and overseen by the Management Committee in collaboration with the Chairman and CEO. As the Company is engaged in many business lines within financial services, the Company relies on the expertise of its business leaders to manage the day-to-day human capital needs and priorities, including learning and development, recruiting and retention, and employee productivity. The human capital needs of our business are also supported by the Company's Human Resources Department, which reports into the Chief Financial Officer.

At December 31, 2020, the Company employed 2,908 employees (2,871 full-time and 37 part-time), of whom 1,002 were financial advisors. With financial advisors comprising a considerable segment of the Company's employee base, we believe they are a significant human capital resource for the Company, and accordingly, their recruitment, retention, compensation and productivity we view as important to the success of the Company.

**Culture and Strategy**

As a leading middle-market investment bank and full service broker-dealer, the Company prides itself on its areas of specialization and its corporate culture of being supportive of its employees and providing direct access to senior management. Our values remain grounded in integrity and honesty, which form the core of our fundamental principles. It is our intention to prioritize these principles over business profits. Our Code of Conduct memorializes our beliefs and serves as a detailed guide for our directors, senior management, and employees to consult when making decisions about their conduct in relation to the Company's business as well as their conduct outside of the business.

Our people and culture are the cornerstones of our firm and our ability to deliver outstanding financial services to our clients. This culture is best exemplified by an employee base consisting of a high percentage of long-tenured, experienced professionals complemented by an up-and-coming talented group of associates in which the firm has and continues to invest time, effort and resources. The Company prides itself on having a culture of putting people first and values the thoughts, perspectives and experiences of individuals from all backgrounds. We strive to have an inclusive and bias-free workplace that will foster growth for our employees and allow them to excel in their careers. The Company recognizes that it is a long term commitment to develop and sustain a diverse, inclusive and belonging environment. In addition, the Company has a relatively flat management structure that fosters innovative thought generation and quick decision-making. Employees are encouraged to escalate business issues, which are dealt with effectively and efficiently, in part, because Company management endeavors to always be accessible and accountable.

The Company takes a pragmatic approach to human capital strategy and continuously makes investments in its people, processes and technology. This approach allows the Company to adapt quickly to evolving business needs and maintain a competitive position, with the ability to readily implement change and employ best practices to meet or exceed industry standards. Our methods have proven to motivate and empower our employees, to cultivate an entrepreneurial mindset while fostering a culture of compliance.

**Talent Development**

The development of the firm's current and future leaders is critical to the future growth of the Company. This starts with a focus on the professional development of entry-level employees by offering a variety of programs, including the annual Summer Internship Program, Rotational Trainee Program, Investment Banking Analyst Program and the Associate Financial Advisor Program. We also work with newly hired Associates through our Associate Financial Professional Program, a multi-year training curriculum whereby new Associates are partnered with experienced Financial Advisors in the same branch office. Meanwhile, Senior Advisors are provided resources to keep abreast of our ever-changing industry with the goal to better serve the best interests of our clients. In today's competitive and highly regulated marketplace, it is important to engage in continuous improvement to not only distinguish ourselves from our competitors, but to also be accountable to the highest standards of the industry.

Professional development is a key foundational building block to our continued success. On an ongoing basis, the Company is committed to providing the highest level of learning for its employee base through Oppenheimer University, our eLearning platform comprised of a deep catalogue of content curated to the specific learning needs of our employees, covering a wide range of business areas, financial products, corporate matters, and regulatory and compliance training. These courses include, but are not limited to, Compliance – Anti-Money Laundering, Cybersecurity and Anti-Harassment and Discrimination training as well as in-depth information on industry topics. In addition, the Company sponsors employee participation in industry trade associations, regulatory licensing and training, and continuing professional education in order to support the career goals and objectives of its employees.

**Compensation and Performance Assessment**

The Company offers its employees a comprehensive compensation program that promotes business expansion in a responsible manner and enables us to retain and appropriately reward employees. These programs are designed to provide competitive compensation and financial incentives for employees in meeting various performance targets which drive the overall financial performance of the Company while taking into account the Company's overall financial performance, individual performance, as well as the Company's corporate and risk management objectives. The compensation and benefits programs vary depending on the business or functional area within the firm but generally include a mix of salary, incentive cash compensation, production-related compensation, share-based compensation, and deferred compensation.

The Company's compensation program is developed and governed by the Compensation Committee of the Board of Directors. The Company's Chief Executive Officer will provide recommendations to the Compensation Committee with respect to salary, bonus, and other compensation paid to senior management. In turn, senior management will make recommendations to the Chief Executive Officer regarding remuneration for its direct reports in various business and support functions.

The Company has performance assessment criteria from which to rate performance which is tied to overall compensation. These criteria include, but are not limited to, strategic thinking, integrity, building a corporate culture of ethical and responsible behavior, compliance with regulatory requirements, managing employee performance, retention and morale, and reaching various goal production-related milestones depending on the business or support unit.

As discussed above, the Company's compensation programs differ by area within the firm. Generally, employees are compensated as follows:

| | Compensation Type | | | | |
|---|---|---|---|---|---|
| Business Areas | Salary | Incentive | Production | Deferred | Share-Based |
| Wealth Management | X | | X | X | X |
| Investment Banking | X | X | | | X |
| Sales & Trading | X | | X | X | |
| Research | X | X | | | X |
| Support Functions | X | X | | | X |

Compensation as a percentage of revenue is a metric that the firm monitors closely. A breakdown of the firm's compensation as a percentage of revenue by business segment is as follows:

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Total Firm | 64.3 % | 63.6 % | 63.4 % |
| Private Client | 64.2 % | 55.5 % | 54.1 % |
| Asset Management | 19.3 % | 28.4 % | 31.1 % |
| Capital Markets | 59.0 % | 66.7 % | 65.2 % |

**Employee Safety and Well-being**

The health and well-being of our employees and their loved ones is paramount to the firm. The Company is committed to keeping everyone safe and healthy by providing our employees with a comprehensive healthcare and benefits program as well as useful resources and communications. In addition to a comprehensive healthcare and benefits program, the Company offers various health and wellness programs including confidential emotional support, work-life solutions, financial resources, and campaigns to promote physical and emotional well-being of our employees.

The COVID-19 pandemic has continued to disrupt both our personal and professional lives in unprecedented ways.

The Company continues to monitor the effects of the COVID-19 pandemic both on a national level as well as regionally and locally and is responding accordingly. In addition, we continue to provide frequent communications to clients, employees, and regulators regarding COVID-19. We have adopted enhanced cleaning practices and other health protocols in our offices, taken measures to significantly restrict non-essential business travel and have practices in place to mandate that employees self-quarantine if they have been exposed to COVID-19, or experience related symptoms. In early March 2020, the Company executed on its Business Continuity Plan whereby the vast majority of our employees began to work remotely with only "essential" employees reporting to our offices. A surge in COVID-19 cases following the holiday season and other recent outbreaks in various states will continue to impact the economy and, by extension, our business, well into 2021. In order to continue to focus on the safety of our employees, we currently anticipate that a large number of our employees will continue to work remotely until vaccinations are more widely administered.

**COMPETITION**

Oppenheimer encounters intense competition in all aspects of the securities business and competes directly with other securities firms, a significant number of which have substantially greater resources and offer a wider range of financial services. In addition, Oppenheimer faces increasing competition from other sources, such as commercial banks, insurance companies, private equity and financial sponsors and certain major corporations that have entered the securities industry through acquisition, including Fintech competitors offering online investment services to smaller investors. Recently online firms have offered “free” trades to all investors, which has become increasingly popular with small investors, living and working from home. At present, it is not possible to determine the nature of this competitive threat, given its newness and the type of client it has attracted to date. Additionally, foreign-based securities firms and commercial banks regularly offer their services in performing a variety of investment banking functions including mergers and acquisitions advice, leveraged buy-out financing, merchant banking, and bridge financing, all in direct competition with U.S. broker-dealers.

We also compete with companies that offer web-based financial services and discount brokerage services, usually with lower levels of service, to individual clients. In addition, we compete with advisors holding themselves out as "independent" and who are registered investment advisers or RIAs. We compete principally on the basis of the quality of our advisors, services, product selection, location and reputation in local markets. Our ability to compete effectively in these businesses is substantially dependent on our continuing ability to attract, retain and motivate qualified professionals, including successful financial advisors, research analysts, investment bankers, trading professionals, portfolio managers and other revenue producing or specialized support personnel.

The Company believes that the principal factors affecting competition in the securities and investment banking industries are the quality and ability of professional personnel and relative prices of services and products offered. In some instances, competition within the industry can be impacted by the credit ratings assigned to the firm offering services when potential clients are making a determination of acceptable counterparties. The ability of securities industry participants to offer credit facilities to potential investment banking clients may affect the assignment of individual transactions. The Company's ability to compete depends substantially on its ability to attract and retain qualified employees while managing compensation and other costs. Oppenheimer and its competitors employ advertising and direct solicitation of potential customers in order to increase business and furnish investment research publications in an effort to retain existing and attract potential clients. Many of Oppenheimer's competitors engage in these programs more extensively than Oppenheimer. Increasingly, securities firms are providing automated investment advisory services that employ algorithms to determine recommended portfolio allocations at a much lower price point. This model is in the early stage and it is not yet clear whether this type of investment advisory service will provide meaningful competition to the full service investment model.

**BUSINESS CONTINUITY PLAN**

The Company has a business continuity plan in place which is designed to enable it to continue to operate and provide services to its clients under a variety of circumstances in which one or more events may make one or more firm operating locations unavailable due to a local, regional or national emergency, or due to the failure of one or more systems that the Company relies upon to provide the services that it routinely provides to its clients, employees and various business partners and counterparties. The plan covers all business areas of the Company and provides contingency plans for technology, staffing, equipment, and communication to employees, clients and counterparties. While the plan is intended to address many types of business continuity issues, there could be certain occurrences which, by their very nature are unpredictable, and can occur in a manner that is outside of our planning guidelines and could render the Company's estimates of timing for recovery inaccurate. Under all circumstances, it is the Company's intention to remain in business and to provide ongoing investment services as if no disruption had occurred.

Oppenheimer maintains its headquarters and principal operating locations in New York City. In order to provide continuity for these services, the Company operates a primary data center as well as maintains back-up facilities (information technology, operations and data processing) in sites with requisite communications back-up systems. In addition, the Company occupies significant office facilities in locations around the United States which could, in an emergency, house dislocated staff members for a short or intermediate time frame. Oppenheimer relies on public utilities for power and phone services, industry specific entities for ultimate custody of client securities and market operations, and various industry vendors for services that are significant and important to its business for the execution, clearance and custody of client holdings, for the pricing and valuing of client holdings, and for permitting our Company's employees to communicate on an efficient basis. The Company's headquarters and the primary location for its technology infrastructure are both supported by emergency electric generator back-up. All of these service providers have assured the Company that they have made plans for providing continued service in the case of an unexpected event that might disrupt their services.

In early March 2020, the Company executed on its Business Continuity Plan whereby the vast majority of our employees began to work remotely with only "essential" employees reporting to our offices. We accomplished this by significantly expanding the use of technology infrastructure that facilitates remote operations. Our ability to avoid significant business disruptions is reliant on the continued ability to have the vast majority of employees work remotely. To date, there have been no significant disruptions to our business or control processes as a result of this dispersion of employees. Recent outbreaks in various states indicate that COVID-19 will continue to impact the economy and, by extension, our business, well into 2021. We currently anticipate that a large number of our employees will continue to work remotely for the indefinite future until vaccinations are more widely administered.

**CYBERSECURITY**

Cybersecurity presents significant challenges to the business community in general, as well as to the financial services industry. Increasingly, bad actors, both domestically and internationally, attempt to steal personal data and/or interrupt the normal functioning of businesses through accessing individuals' and companies' files and equipment connected to the internet. Recent incidents have reflected the increasing sophistication of intruders and their intent to steal personally identifiable information as well as funds and securities. These intruders sometimes use instructions seemingly from authorized parties but in fact, are from parties intent on attempting to steal. In other instances these intruders attempt to bypass normal safeguards and disrupt or steal significant amounts of information and then either release it to the internet or hold it for ransom. Regulators are increasingly requiring companies to provide increased levels of sophisticated defenses. The Company maintains vigilance and ongoing planning and systems to prevent any such attack from disrupting its services to clients as well as to prevent any loss of data concerning its clients, their financial affairs, as well as Company privileged information. The Company has implemented new systems to detect and defend from such attacks and has appointed a Chief Information Security Officer ("CISO") and put in place a department of dedicated staff to provide ongoing development and oversight of the Company's systems and defenses. See "Risk Factors — Cybersecurity – Security breaches of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability and harm our reputation" in Item 1A.

**REGULATION**

*Self-Regulatory Organization Membership* — Oppenheimer is a member firm of the following self-regulatory organizations ("SROs"): the Financial Industry Regulatory Authority ("FINRA"), the Intercontinental Exchange, Inc., known as ICE Futures U.S., and the National Futures Association ("NFA"). In addition, Oppenheimer has satisfied the requirements of the Municipal Securities Rulemaking Board ("MSRB") for effecting customer transactions in municipal securities. Freedom is also a member of FINRA. Oppenheimer Europe Ltd. is regulated by the Financial Conduct Authority ("FCA") in the United Kingdom and the Jersey Financial Services Commission ("JFSC") in the Isle of Jersey. Oppenheimer Investments Asia Limited is regulated by the Securities and Futures Commission ("SFC") in Hong Kong. Oppenheimer Israel Ltd. operates subject to the authority of the Israel Securities Authority. Oppenheimer is also a member of the Securities Industry and Financial Markets Association ("SIFMA"), a non-profit organization that represents the shared interests of participants in the United States financial markets. The Company has access to a number of regional and national markets and is required to adhere to their applicable rules and regulations.

*Securities Regulation* — The securities industry in the United States is subject to extensive regulation under both federal and state laws. The SEC is the Federal agency charged with administration of the Federal securities laws. The Commodities Futures Trading Commission ("CFTC") is the federal agency charged with administration of the federal laws governing commodities and future trading. Much of the regulation of broker-dealers has been delegated to SROs such as FINRA and the NFA. FINRA has been designated as the primary regulator of Oppenheimer and Freedom with respect to securities and option trading activities and the NFA has been designated as Oppenheimer's primary regulator with respect to commodities activities. SROs adopt rules (subject to approval by the SEC or the CFTC, as the case may be) governing the industry and conduct periodic examinations of Oppenheimer's and Freedom's operations. In recent years, the SEC has increased its programs for examinations of registrants, even where such examinations overlap with examinations conducted by other entities. Securities firms are also subject to regulation by state securities commissions in the states in which they do business. Oppenheimer and Freedom are each registered as a broker-dealer in the 50 states and the District of Columbia and Puerto Rico.

*Broker-dealer Regulation* — The regulations to which broker-dealers are subject cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, the use and safekeeping of customers' funds and securities, capital structure of securities firms, record keeping and the conduct of directors, officers and employees. The SEC has adopted rules requiring underwriters to ensure that municipal securities issuers provide current financial information and imposing limitations on political contributions to municipal issuers by brokers, dealers and other municipal finance professionals. Additional legislation, changes in rules promulgated by the SEC, the CFTC and by SROs, or changes in the interpretation or enforcement of existing laws and rules may directly affect the method of operation and profitability of broker-dealers. The SEC, SROs (including FINRA) and state securities commissions may conduct administrative proceedings which can result in censure, fine, issuance of cease and desist orders or suspension or expulsion of a broker-dealer (for all or part of its activities), its officers, or employees. These administrative proceedings, whether or not resulting in adverse findings, can require substantial expenditures of time and money and can have an adverse impact on the reputation of a broker-dealer. The principal purpose of regulating and disciplining broker-dealers is to protect customers and the securities markets rather than to protect creditors and shareholders.

Regulation NMS and Regulation SHO have substantially affected the trading of equity securities. These regulations were intended to increase transparency in the markets and have acted to further reduce spreads and, with competition from electronic marketplaces, to reduce commission rates paid by institutional investors. These rules have also reduced liquidity in some markets under some circumstances.

Oppenheimer and certain of its affiliates are also subject to regulation by the SEC and under certain state laws in connection with its business as an investment adviser. The SEC has announced its intention to place additional oversight and scrutiny over dual registrants such as the Company, where the registrant conducts business as a broker-dealer and investment adviser.

Margin lending by Oppenheimer is subject to the margin rules of the Board of Governors of the Federal Reserve System and FINRA. Under such rules, Oppenheimer is limited in the amount it may lend in connection with certain purchases of securities and is also required to impose certain maintenance requirements on the amount of securities and cash held in margin accounts. In addition, Oppenheimer may (and currently does) impose more restrictive margin requirements than required by such rules.

*The Sarbanes-Oxley Act of 2002* — The Sarbanes-Oxley Act effected significant changes to corporate governance, auditing requirements and corporate reporting. This law generally applies to all companies, including the Company, with equity or debt securities registered under the Exchange Act. The Company has taken numerous actions, and incurred substantial expenses, since the passage of the legislation to comply with the Sarbanes-Oxley Act, related regulations promulgated by the SEC and other corporate governance requirements of the NYSE. On May 14, 2013, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released an updated version of its Internal Control - Integrated Framework (the "2013 Framework"), which superseded the original framework that was developed in 1992. The Company adopted the 2013 Framework on December 15, 2014 as a basis for its compliance with the Sarbanes-Oxley Act of 2002. Management has determined that the Company's internal control over financial reporting as of December 31, 2020 was effective. See "Management's Report on Internal Control over Financial Reporting."

*Wall Street Reform & Consumer Protection Act (the "Dodd-Frank Act")* — In July 2010, Congress enacted extensive legislation entitled the Dodd-Frank Act in which it mandated that the SEC and other regulators conduct comprehensive studies and issue new regulations based on their findings to control the activities of financial institutions in order to protect the financial system, the investing public and consumers from issues and failures that occurred in the 2008-9 financial crisis. This effort has extensively impacted the regulation and practices of financial institutions including the Company. The changes have significantly reduced leverage available to financial institutions and increased transparency to regulators and investors of risks taken by such institutions. In addition, new rules have been adopted to regulate and/or prohibit proprietary trading for certain deposit taking institutions, control the amount and timing of compensation to "highly paid" employees, create new regulations around financial transactions with retirement plans, increase the disclosures provided to clients, and in some European jurisdictions create a tax on securities transactions. The Consumer Financial Protection Bureau also implemented new rules affecting the interaction between financial institutions and consumers.

Under rules issued by the SEC regarding registration of municipal advisers, certain activities will be covered by the fiduciary duty of a municipal adviser to its government clients imposed by the Dodd-Frank Act, and may result in the need for new written representations by issuers. They may also limit the manner in which we, in our capacity as an underwriter or in our other professional roles, interact with municipal issuers.

Section 956 of the Dodd-Frank Act required the SEC, Federal Reserve, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, Federal Housing Finance Agency and National Credit Union Administration (the "agencies") to jointly prescribe regulations or guidelines related to the prohibition of incentive-based compensation arrangements that encourage inappropriate risks at certain financial institutions. The agencies released a re-proposed rule in May 2016 that would prohibit certain forms of incentive-based compensation arrangements for financial institutions with greater than $1 billion in total assets (the "Incentive-Based Compensation Proposal"). Much of the Incentive-Based Compensation Proposal would apply to financial institutions categorized as either "Level 1" institutions (assets of $250 billion or more) or "Level 2" institutions (assets of $50 billion to $250 billion), while "Level 3" institutions (assets of $1 billion to $50 billion) would be subject to less extensive obligations. All covered financial institutions would be required to, among other requirements: (i) annually document the structure of their incentive-based compensation arrangements; (ii) retain records of such annual documentation for at least seven years; and (iii) comply with general prohibitions on incentive-based compensation arrangements that could encourage inappropriate risk-taking. Should the Incentive-Based Compensation Proposal be adopted, we would be subject to the rule's requirements as a "Level 3" financial institution, which would require us to incur additional legal and compliance costs, as well as subject us to increased legal risks.

*Bank Secrecy Act and USA PATRIOT Act of 2001*— The Bank Secrecy Act and the USA PATRIOT Act of 2001 (“Patriot Act”) and requirements administered by the Financial Crimes Enforcement Network (“FinCEN”) require financial institutions, among other things, to implement a risk-based program reasonably designed to prevent money laundering and to combat the financing of terrorism, including through suspicious activity and currency transaction reporting, compliance, record-keeping and initial and on-going due diligence on customers. The Patriot Act also contains financial transparency laws and enhanced information collection tools and enforcement mechanisms for the U.S. government, including: due diligence and record-keeping requirements for private banking and correspondent accounts; standards for obtaining and verifying customer identification at account opening; and rules to produce certain records upon request of a regulator or law enforcement and to promote cooperation among financial institutions, regulators, and law enforcement in identifying parties that may be involved in terrorism, money laundering and other crimes. In May 2016, FinCEN issued a new rule that, since May 2018, has required certain financial institutions, including U.S. banks and broker-dealers, to obtain certain beneficial ownership information from legal entity clients. Failure to meet the requirements of the Bank Secrecy Act, the Patriot Act or FinCEN can lead to regulatory actions including significant fines and penalties as well as significant reputational damage.

*Markets in Financial Instruments Directive (known as "MiFID II") —* MiFID II became effective on January 3, 2018 in the United Kingdom and all of Europe. The directive is intended to strengthen investor protection and improve the functioning of financial markets making them more efficient, resilient and transparent. MiFID II sets out: (i) conduct of business and organizational requirements for investment firms; (ii) authorization requirements for regulated markets; (iii) regulatory reporting to avoid market abuse; (iv) trade transparency obligations for shares; and (v) rules on the admission of financial instruments to trading. The new rulemaking has and will fundamentally alter the provision of research to financial institutions as well as require the registration of all market participants. It is anticipated that this rulemaking will negatively impact the overall availability of commission revenue in payment for equity research and possibly negatively impact the liquidity of markets for equities and fixed income securities in Europe. It appears that the limitation of available services to smaller institutions in the UK as a result of MIFID II, may be resulting in the applicability of these rules to smaller institutions. It is possible that these restrictive business practices may be adopted in the U.S. although there is currently no such regulatory requirement in the U.S.

*Fiduciary Standard — Rulemaking by the U.S. Department of Labor and SEC—* In April 2016, the U.S. Department of Labor ("DOL") finalized its definition of fiduciary under the Employee Retirement Income Security Act ("ERISA") through the release of new rules and changes to interpretations of six prohibited transaction exemptions which together set a new standard for the treatment and effects of advice given to retirement investors ("DOL Fiduciary Rules"). Under this rule, investment advice given to an employee benefit plan or an individual retirement account ("IRA") is considered fiduciary advice.

In March 2018, the U.S. 5th Circuit Court of Appeals found that the DOL did not have the jurisdiction to adopt the aforementioned rules and vacated the DOL Fiduciary Rules effective in June 2018. 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.

On June 5, 2019, the SEC adopted a final version of this rulemaking package that included the adoption of Regulation Best Interest (“Reg BI”) as Rule 15l-1 under the Exchange Act. Reg BI imposes a new federal standard of conduct on registered broker-dealers and their associated persons when dealing with retail clients and requires that a broker-dealer and its representatives act in the best interest of such client and not place its own interests ahead of the customer’s interests. Reg BI does not define the term “best interest” but instead sets forth four distinct obligations, disclosure, care, conflict of interest and compliance that a broker-dealer must satisfy in each transaction. The effective date for compliance with Reg BI was June 30, 2020. In addition to passing Reg BI the SEC also adopted rules (i) requiring broker-dealers and investment advisers to provide a written relationship summary to each client, and (ii) clarifying certain interpretations under the Advisers Act including but not limited to when a broker-dealer's activity is considered “solely incidental” to its broker-dealer business and is, therefore, not considered investment advisory activity (collectively, the “Reg BI Rules”).

Reg BI Rules have impacted the conduct of the business of the Company, in particular, with respect to our business with non-institutional clients. The need for enhanced documentation for recommendations of securities transactions to broker-dealer retail clients as well as the cessation of certain practices as well as limitations on certain kinds of transactions previously conducted in the normal course of business have increased the amount of record –keeping, changed the permitted conduct of our representatives and led to more clients choosing fee-based programs for the conduct of their relationship with the Company. The new rules and processes related thereto may limit revenue and have increased costs, including, but not limited to, compliance costs associated with new or enhanced technology and may in the future lead to increased litigation costs.

The Company reviewed its business practices and operating models in light of the Reg BI Rules and made significant structural, technological and operational changes to our business leading up to the effective date of June 30, 2020 for compliance with the Reg BI Rules. As a result, the Company conducted significant training of all its employees with respect to the requirements of Reg BI and made each of the required mailings (both electronic and conventional) prior to the effective date. The Company believes that the changes made to its business processes will result in compliance with these new requirements. As business continues to be conducted under the Reg BI Rules, it is likely that additional changes may be necessary. It is noteworthy that the newly elected Congress is calling for additional regulation of the securities industry and calling for full fiduciary rules in lieu of Regulation BI.

Privacy — U.S. federal law establishes minimum federal standards for financial privacy by, among other provisions, requiring financial institutions to adopt and disclose privacy policies with respect to consumer information and setting forth certain limitations on disclosure to third parties of consumer information. U.S. state law and regulations adopted under U.S. federal law

impose obligations on Oppenheimer and its subsidiaries for protecting the security, confidentiality and integrity of client information, and require notice of data breaches to certain U.S. regulators, and in some cases, to clients. In 2018, the State of California passed the California Consumer Privacy Act (“CCPA”) that applies to certain for-profit entities such as the Company that conduct business with residents of California. The CCPA requires that specific privacy disclosures be given to California residents and gives consumers certain rights regarding their personal information held by businesses subject to the CCPA such as directing companies to delete the personal information held by such businesses. Numerous other states are considering privacy legislation either along the lines of, or with more onerous requirements than, the CCPA.

The General Data Protection Regulation (“GDPR”) imposes additional requirements for companies that collect or store personal data of European Union residents. GDPR expands the scope of the EU data protection law to all foreign companies processing personal data of EU residents, imposes a strict data protection compliance regime, and includes new rights. Other jurisdictions have, or are proposing to pass privacy legislation that is similar to GDPR. Oppenheimer has adopted and disseminated privacy policies, and communicates required information relating to financial privacy and data security, in accordance with applicable law.

*Money Market Funds* — In July 2014, the SEC adopted amendments to the rules that govern money market mutual funds. The amendments make structural and operational reforms to address risks of excessive withdrawals over relatively short time frames by investors from money market funds, while preserving the benefits of the funds. Oppenheimer does not sponsor any money market funds. Oppenheimer utilizes such funds to a small extent for its own investment purposes and, as a result of the new rules, has extensively limited the availability of money market funds to its clients. Instead the Company now offers FDIC short-term bank deposits alternatives as cash sweep investments. The SEC and FINRA have each announced their intention to review the programs under which broker-dealers offer FDIC-insured accounts to clients and their potential impact on the financial system.

*Consolidated Audit Trail* — The SEC approved Rule 613 on October 1, 2012 which introduced the requirement for a Consolidated Audit Trail ("CAT"), a central repository for all U.S. securities transactions that is to be utilized for monitoring of markets and for regulatory purposes by SROs and the SEC. The rule is in response to the Wall Street's May 6, 2010 "Flash Crash", during which the market sustained a significant decline without any underlying news or economic rationale. The CAT will be utilized to identify the beneficial owner in every securities transaction and to correlate that information across market participants. In February 2015, the SROs submitted the CAT National Market System ("NMS") Plan to create the CAT and to announce the requirements for market participants. On November 15, 2016, the NMS Plan was unanimously approved by the SEC. The NMS Plan outlines the reporting requirements for industry participants, as well as the requirements for the Plan Processor, the entity that will hold and protect the data, while making it available to authorized users.

U.S. broker-dealers and SROs are required to report all equity and options life cycle events to the repository on a daily basis. In addition, U.S. broker-dealers will be required to submit customer account information to the repository. This will make CAT the world's largest repository of securities transactions. In June 2020, Oppenheimer, like other U.S. broker dealers, began reporting equity trades, and in July, 2020 non-complex option trades to the CAT. Oppenheimer will begin reporting complex option trades in 2021. Smaller broker-dealers will be required to report equity and option trades in 2021. The CAT NMS Plan requires SROs to define plans to eliminate duplicative reporting.

The requirements of the CAT have been and will continue to be expensive to implement and present potential privacy issues that may not be protected under existing rule-making and may make the Company liable for improper disclosure or cybersecurity hacking of the CAT database. The securities industry has commenced various actions to limit the provision of personally identifiable information ("PII") to the CAT, given the potential liabilities to the provider associated with improper dissemination of such data. There is no predictable outcome as to the success of any such actions.

*Trust Company Regulation* — Oppenheimer Trust is a limited purpose trust company organized under the laws of Delaware and is regulated by the Office of the State Banking Commissioner.

The impact of any of, or more than one of, the foregoing could have a material adverse effect on our business, financial condition and results of operations. Certain of the rulemakings described above remain under consideration and have been subject to numerous changes and postponements in both the requirements and implementation date(s) and may become more onerous as a result of the 2020 Presidential election.

**REGULATORY CAPITAL REQUIREMENTS**

As registered broker-dealers and member firms regulated by FINRA, Oppenheimer and Freedom are subject to certain net capital requirements pursuant to Rule 15c3-1 (the "Net Capital Rule") promulgated under the Exchange Act. The Net Capital Rule, which specifies minimum net capital requirements for registered brokers and dealers, is designed to measure the general financial integrity and liquidity of a broker-dealer and requires that at least a minimum part of its assets be kept in liquid form.

Oppenheimer elects to compute net capital under the alternative method of calculation permitted by the Net Capital Rule. (Freedom computes net capital under the basic formula as provided by the Net Capital Rule.) Under the alternative method, Oppenheimer is required to maintain a minimum "net capital", as defined in the Net Capital Rule, at least equal to 2% of the amount of its "aggregate debit items" computed in accordance with the Formula for Determination of Reserve Requirements for Brokers and Dealers (Exhibit A to Rule 15c3-3 under the Exchange Act) or $1.5 million, whichever is greater. "Aggregate debit items" are assets that have as their source transactions with customers, primarily margin loans. Failure to maintain the required net capital may subject a firm to suspension or expulsion by FINRA, the SEC and other regulatory bodies and ultimately may require the firm's liquidation.

The Net Capital Rule also prohibits payments of dividends, redemption of stock and the prepayment of subordinated indebtedness if net capital thereafter would be less than 5% of aggregate debit items (or 7% of the funds required to be segregated pursuant to the Commodity Exchange Act and the regulations thereunder, if greater) and payments in respect of principal of subordinated indebtedness if net capital thereafter would be less than 5% of aggregate debit items (or 6% of the funds required to be segregated pursuant to the Commodity Exchange Act and the regulations thereunder, if greater). The Net Capital Rule also provides that the total outstanding principal amounts of a broker-dealer's indebtedness under certain subordination agreements (the proceeds of which are included in its net capital) may not exceed 70% of the sum of the outstanding principal amounts of all subordinated indebtedness included in net capital, par or stated value of capital stock, paid-in capital in excess of par, retained earnings and other capital accounts for a period in excess of 90 days.

Net capital is essentially defined in the Net Capital Rule as net worth (assets minus liabilities), plus qualifying subordinated borrowings minus certain mandatory deductions that result from excluding assets that are not readily convertible into cash and deductions for certain operating charges. The Net Capital Rule values certain other assets, such as a firm's positions in securities, conservatively. Among these deductions are adjustments (referred to as "haircuts") in the market value of securities to reflect the possibility of a market decline prior to disposition.

Compliance with the Net Capital Rule could limit those operations of the brokerage subsidiaries of the Company that require the intensive use of capital, such as underwriting and trading activities and the financing of customer account balances, and also could restrict the Company's ability to withdraw capital from its brokerage subsidiaries, which in turn could limit the Company's ability to pay dividends, repay debt and redeem or purchase shares of its outstanding capital stock. Under the Net Capital Rule, broker-dealers are required to maintain certain records and provide the SEC with quarterly reports with respect to, among other things, significant movements of capital, including transfers to a holding company parent or other affiliate. The SEC and/or SROs may in certain circumstances restrict the Company's brokerage subsidiaries' ability to withdraw excess net capital and transfer it to the Company or to other Operating Subsidiaries or to expand the Company's business.

Oppenheimer Europe Ltd. is authorized by the FCA of the United Kingdom to provide investment services under MiFID II. New Basel III requirements being implemented in the European Union have changed how capital adequacy is reported under the Capital Requirements Directive ("CRD IV"), effective January 1, 2014, for Oppenheimer Europe Ltd. There are three capital ratios Oppenheimer Europe Ltd. must meet: 1) Common Equity Tier 1 ratio of 4.5%; 2) Tier 1 Capital ratio of 6.0%; and 3) Total Capital ratio of 8.0%. Under MiFID II, Oppenheimer Europe has applied for and received increased permissions, effective January 1, 2018, to be treated as a liquidity provider and as such may trade as principal with its institutional counter-parties in fixed income securities. This registration will require that Oppenheimer Europe Ltd. dedicate increased capital to its European business.

Oppenheimer Investments Asia Limited was approved by the SFC to provide institutional fixed income and equities brokerage services to institutional investors and corporate finance advisory services to Hong Kong institutional clients. Oppenheimer Investments Asia Limited is required to maintain Required Liquid Capital of the greater of HKD 3.0 million or 5% of Adjusted Liabilities as defined by the Hong Kong Securities and Futures Financial Resources Rules.

See note 18 to the consolidated financial statements appearing in Item 8 for further information on the Company's regulatory capital requirements.

## OTHER REQUIREMENTS

*Senior Secured Notes*

On June 23, 2017, the Company issued in a private offering $200.0 million aggregate principal amount of 6.75% Senior Secured Notes due 2022 (the "6.75% Notes") at an issue price of 100% of the principal amount. Interest on the 6.75% Notes was payable semi-annually on January 1st and July 1st. The 6.75% Notes were scheduled to mature on July 1, 2022.

The Company redeemed $50.0 million (25%) of the 6.75% Notes plus accrued and unpaid interest during the third quarter of 2019. During the first quarter of 2020, the Company repurchased $1.4 million of the 6.75% Notes. On August 28, 2020, the Parent issued a conditional notice of redemption to redeem the entire $150.0 million aggregate principal amount of the outstanding 6.75% Notes. The Company held $1.4 million in treasury for a net outstanding amount of $148.6 million. On September 22, 2020, the Parent issued a notice to satisfy and discharge all of its obligations under the Indenture governing the 6.75% Notes. On September 28, 2020, the 6.75% Notes were fully redeemed.

On September 22, 2020, the Parent issued $125.0 million aggregate principal amount of 5.50% Senior Secured Notes due 2025 (the “Notes”) at an issue price of 100% of the principal amount. The Notes will mature on October 1, 2025 and bear interest at a rate of 5.50% per annum, payable semiannually on April 1st and October 1st, respectively, of each year. The Parent used the net proceeds from the offering of the Notes, along with cash on hand, to redeem in full its 6.75% Notes.

See note 12 to the consolidated financial statements appearing in Item 8 for further discussion.

*Securities Investor Protection Corporation ("SIPC")*

Oppenheimer and Freedom are each members of the SIPC, which provides, in the event of the liquidation of a broker-dealer, protection for customers' accounts (including the customer accounts of other securities firms when it acts on their behalf as a clearing broker) held by the firm of up to $500,000 for each customer, subject to a limitation of $250,000 for claims for cash balances. SIPC is funded through assessments on registered broker-dealers. In addition, Oppenheimer has purchased additional "excess of SIPC" policy protection from certain underwriters at Lloyd's of London of an additional $99.5 million (and $900,000 for claims for cash balances) per customer. The "excess of SIPC" policy has an overall aggregate limit of liability of $300.0 million. The Company has an indemnity agreement with Lloyd's of London pursuant to which the Company has agreed to indemnify Lloyd's of London for losses incurred by Lloyd's under the policy.

## AVAILABLE INFORMATION

The Company's principal place of business is at 85 Broad Street, New York, NY 10004 and its telephone number is (212) 668-8000. The Company's internet address is http://www.oppenheimer.com. The Company makes available free of charge through its website its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy and information statements and other SEC filings and all amendments to those reports within 24 hours of such material being electronically filed with or furnished to the SEC.

## Item 1A. RISK FACTORS

The Company's business and operations are subject to numerous risks. The material risks and uncertainties that management believes affect the Company are described below. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that are presently unknown, management is not aware of or focused on or that management currently deems immaterial may also impair the Company's business operations. If any of the following risks actually occur, the Company's financial condition and results of operations may be materially and adversely affected.

### FINANCIAL RISKS

### Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as market liquidity, will result in losses for a position or portfolio owned by us.

**Our results of operations may be materially affected by market fluctuations and by global and economic conditions and other factors, including changes in asset values.**

Our results of operations have been in the past and may, in the future, be materially affected by market fluctuations due to global financial markets, economic conditions, changes to global trade policies and tariffs and other factors, including the level and volatility of equity, fixed income and commodity prices, the level and term structure of interest rates, inflation and currency values, and the level of other market indices. The results of our Capital Markets business segment, particularly results relating to our involvement in primary and secondary markets for all types of financial products, are subject to substantial market fluctuations due to a variety of factors that we cannot control or predict with great certainty. These fluctuations impact results by causing variations in business flows and activity and in the fair value of securities and other financial products. Fluctuations also occur due to the level of global market activity, which, among other things, affects the size, number and timing of investment banking client assignments and transactions and the realization of returns from our principal investments. The Company may incur losses and be subject to reputational harm to the extent that, for any reason, it is unable to sell securities it purchased as an underwriter at anticipated price levels. As an underwriter, the Company is subject to heightened standards regarding liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings it underwrites. Any such misstatement or omission could subject the Company to enforcement action by the SEC and claims of investors, either of which could have a material adverse impact on the Company's results of operations, financial condition and reputation. As a market maker and dealer, the Company may own large positions in specific securities, and these undiversified holdings concentrate the risk of market fluctuations and may result in greater losses than would be the case if the Company's holdings were more diversified.

During periods of unfavorable market or economic conditions, the level of individual investor participation in the global markets, as well as the level of client assets, may also decrease, which would negatively impact the results of our Private Client and Asset Management business segments. Substantial market fluctuations could also cause variations in the value of our investments in our funds, the flow of investment capital into or from Asset Under Management ("AUM"), and the way customers allocate capital among money market, equity, fixed income or other investment alternatives, which could negatively impact our Private Client and Asset Management business segments.

The value of our financial instruments may be materially affected by market fluctuations. Market volatility, illiquid market conditions and disruptions in the credit markets may make it extremely difficult to value and monetize certain of our financial instruments, particularly during periods of market displacement. Subsequent valuations in future periods, in light of factors then prevailing, may result in significant changes in the values of these instruments and may adversely impact historical or prospective fees and performance-based fees (also known as incentive fees, which include carried interest) in respect of certain businesses. In addition, at the time of any sales and settlements of these financial instruments, the price we ultimately realize will depend on the demand and liquidity in the market at that time and may be materially lower than their current fair value. Any of these factors could cause a decline in the value of our financial instruments, which may have an adverse effect on our results of operations in future periods. In addition, financial markets are susceptible to severe events evidenced by rapid depreciation in asset values accompanied by a reduction in asset liquidity. Under these extreme conditions, hedging and other risk management strategies may not be as effective at mitigating trading losses as they would be under more normal market conditions. Moreover, under these conditions, market participants are particularly exposed to trading strategies employed by many market participants simultaneously and on a large scale. Our risk management and monitoring processes seek to quantify and mitigate risk to more extreme market moves. However, severe market events have historically been difficult to predict and we could realize significant losses if extreme market events were to occur.

Holding large and concentrated positions may expose us to losses. Concentration of risk may reduce revenues or result in losses in our market-making, investing, underwriting, including block trading, and lending businesses in the event of unfavorable market movements, or when market conditions are more favorable for our competitors.

Changes in interest rates (especially if such changes are rapid), sustained low or high interest rates or uncertainty regarding the future direction of interest rates, may create a less favorable environment for certain of the Company's businesses, particularly its fixed income business, resulting in reduced business volume and reduced revenue.

The reduction of interest rates substantially reduced the interest profits available to the Company through its margin lending and also reduced profit contributions from cash sweep products such as the FDIC-insured Bank Deposit program. If interest rates remain at low levels, the Company's profitability will be negatively impacted.

**Credit Risk**

Credit risk may expose the Company to losses caused by the inability of borrowers or other third parties to satisfy their obligations.

**The Company is exposed to the risk that third parties that owe it money, securities or other assets will not perform their obligations.**

The Company is exposed to credit risk related to third parties such as trading counterparties, customers, clearing agents, exchanges, clearing houses, and other financial intermediaries as well as issuers whose securities we hold. These parties may default on their obligations owed to the Company due to bankruptcy, lack of liquidity, operational failure or other reasons. This default risk may arise, for example, from holding securities of third parties, executing securities trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries, and extending credit to clients through bridge or margin loans or other arrangements. Significant failures by third parties to perform their obligations owed to the Company could adversely affect the Company's revenue and its ability to borrow in the credit markets.

In addition, as a clearing member of several central counterparties, we are responsible for the defaults or misconduct of our customers and could incur financial losses in the event of default by other clearing members. Although we regularly review our credit exposures, default risk may arise from events or circumstances that are difficult to detect or foresee.

We also incur credit risk in our Private Client business segment lending to mainly individual investors related to margin loans collateralized by securities.

**Defaults by another large financial institution could adversely affect financial markets generally.**

The commercial soundness of many financial institutions may be closely interrelated as a result of credit, trading, clearing, or other relationships between these institutions. As a result, concerns about, or a default or threatened default by, one institution could lead to significant market-wide liquidity and credit problems, losses, or defaults by other institutions.

This is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which the Company interacts on a daily basis, and therefore could adversely affect the Company.

**Liquidity Risk**

Liquidity risk refers to the risk that we will be unable to finance our operations due to a loss of access to the capital markets or difficulty in liquidating our assets. Liquidity risk also encompasses our ability (or perceived ability) to meet our financial obligations without experiencing significant business disruption or reputational damage that may threaten our viability as a going concern as well as the associated funding risks triggered by the market or idiosyncratic stress events that may negatively affect our liquidity and may impact our ability to raise new funding.

**Liquidity is essential to our businesses and we rely on external sources to finance a significant portion of our operations.**

Our liquidity could be negatively affected by our inability to raise funding in the long-term or short-term debt capital markets, our inability to access the secured lending markets, or unanticipated outflows of cash or collateral by customers or clients. Factors that we cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, including concerns regarding fiscal matters in the U.S. and other geographic areas, could impair our ability to raise funding. In addition, our ability to raise funding could be impaired if investors or lenders develop a negative perception of our long-term or short-term financial prospects due to factors such as an incurrence of large trading losses, a downgrade by the rating agencies, a decline in the level of our business activity, if regulatory authorities take significant action against us or our industry, or we discover significant employee misconduct or illegal activity. If we are unable to raise funding using the methods described above, we would likely need to finance or liquidate unencumbered assets, such as our investment portfolios or trading assets, to meet maturing liabilities or other obligations. We may be unable to sell some of our assets or we may have to sell assets at a discount to market value, either of which could adversely affect our results of operations, cash flows and financial condition.

**Our borrowing costs and access to the debt capital markets depend on our credit ratings.**

The rating agencies continue to monitor certain company-specific and industry-wide factors that are important to the determination of our credit ratings. These include governance, the level and quality of earnings, capital adequacy, liquidity and funding, risk appetite and management, asset quality, strategic direction, business mix, regulatory or legislative changes, macroeconomic environment, and perceived levels of support, and it is possible that they could downgrade our ratings and those of similar institutions. Our long-term borrowing costs will continue to remain high given the Company's current rating levels. Any future downgrades would increase these borrowing costs and may impact our ability to access the debt capital markets in future periods.

**If the Company is unable to repay its outstanding indebtedness when due, its operations may be materially adversely effected.**

The Company cannot assure that its operations will generate funds sufficient to repay its existing debt obligations as they come due. The Company's failure to repay its indebtedness and make interest payments as required by its debt obligations could have a material adverse effect on its results of operations and financial condition, including the acceleration of the payment of debt.

Financial markets are susceptible to severe events such as dislocations which may lead to reduced liquidity. Under these extreme conditions, the Company's risk management strategies may not be as effective as they might otherwise be under normal market conditions.

**Operational Risk**

Operational risk refers to the risk of loss, or of damage to our reputation, resulting from inadequate or failed processes or systems, from human factors or from external events (e.g., fraud, theft, legal and compliance risks, cyber-attacks or damage to physical assets). We may incur operational risk across the full scope of our business activities, including revenue-generating activities (e.g., sales and trading) and support and control groups (e.g., information technology and trade processing).

**We are subject to operational risks, including a failure, breach or other disruption of our operations or security systems or those of our third parties (or third parties thereof), as well as human error or malfeasance, which could adversely affect our businesses or reputation.**

Our businesses are highly dependent on our ability to process and report, on a daily basis, a large number of transactions across numerous markets. We may introduce new products or services or change processes or reporting, including in connection with new regulatory requirements, resulting in new operational risk that we may not fully appreciate or identify. The trend toward direct access to automated, electronic markets and the move to more automated trading platforms has resulted in the use of increasingly complex technology that relies on the continued effectiveness of the programming code and integrity of the data to process the trades. We rely on the ability of our employees, consultants, and our internal systems to operate our different businesses and process a high volume of transactions. Additionally, we are subject to complex and evolving laws and regulations governing cybersecurity, privacy and data protection, which may differ and potentially conflict, in various jurisdictions. As a participant in the global capital markets, we face the risk of incorrect valuation or risk management of our trading positions due to flaws in data, models, electronic trading systems or processes or due to fraud or cyber-attack.

We also face the risk of operational failure or disruption of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our lending and securities transactions. In the event of a breakdown or improper operation of our or a direct or indirect third party's systems (or third parties thereof) or processes or improper or unauthorized action by third parties, including consultants and subcontractors or our employees, we could suffer financial loss, an impairment to our liquidity position, a disruption of our businesses, regulatory sanctions or damage to our reputation. In addition, the interconnectivity of multiple financial institutions with central agents, exchanges and clearing houses, and the increased importance of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could materially impact our ability to conduct business. Furthermore, the concentration of company and personal information held by a handful of third parties increases the risk that a breach at a key third party may cause an industry-wide data breach that could significantly increase the cost and risk of conducting business. There can be no assurance that our business contingency and security response plans fully mitigate all potential risks to us. Our ability to conduct business may be adversely affected by a disruption in the infrastructure that supports our businesses and the communities where we are located. This may include a disruption involving physical site access; cybersecurity incidents; terrorist activities; political unrest; disease pandemics; catastrophic events; climate-related incidents and natural disasters (such as earthquakes, tornadoes, hurricanes and wildfires); electrical outage; environmental hazard; computer servers; communications or other services we use; and our employees or third parties with whom we conduct business. Although we employ backup systems for our data, those backup systems may be unavailable following a disruption, the affected data may not have been backed up or may not be recoverable from the backup, or the backup data may be costly to recover, which could adversely affect our business.

Notwithstanding evolving technology and technology-based risk and control systems, our businesses ultimately rely on people, including our employees and those of third parties with which we conduct business. As a result of human error or engagement in violations of applicable policies, laws, rules or procedures, certain errors or violations are not always discovered immediately by our technological processes or by our controls and other procedures, which are intended to prevent and detect such errors or violations. These can include calculation errors, mistakes in addressing emails or other communications, errors in software or model development or implementation, or errors in judgment, as well as intentional efforts to disregard or circumvent applicable policies, laws, rules or procedures. Human errors and malfeasance, even if promptly discovered and remediated, can result in material losses and liabilities for us. We conduct business in jurisdictions outside the U.S., including jurisdictions that may not have comparable levels of protection for their corporate assets such as intellectual property, trademarks, trade secrets, know-how and customer information and records. The protection afforded in those jurisdictions may be less established and/or predictable than in the U.S. or other jurisdictions in which we operate. As a result, there may also be heightened risks associated with the potential theft of their data, technology and intellectual property in those jurisdictions by domestic or foreign actors, including private parties and those affiliated with or controlled by state actors. Any theft of data, technology or intellectual property may negatively impact our operations and reputation, including disrupting the business activities of our subsidiaries, affiliates, joint ventures or clients conducting business in those jurisdictions.

**The Company's information systems may experience an interruption or breach in security.**

The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's customer relationship management, regulatory or other reporting, general ledger, and other systems. While the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. Recent disclosures of such incursions by foreign and domestic unauthorized agents aimed at large financial institutions reflect higher risks for all such institutions. The occurrence of any failures, interruptions or security breaches of the Company's information systems could damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny, or expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

Our businesses rely extensively on data processing and communications systems. In addition to better serving clients, the effective use of technology increases efficiency and enables us to reduce costs. Adapting or developing our technology systems to meet new regulatory requirements, client needs, and competitive demands is critical for our business. Introduction of new technology presents challenges on a regular basis. There are significant technical and financial costs and risks in the development of new or enhanced applications, including the risk that we might be unable to effectively use new technologies or adapt our applications to emerging industry standards. Our continued success depends, in part, upon our ability to: (i) successfully maintain and upgrade the capability of our technology systems; (ii) address the needs of our clients by using technology to provide products and services that satisfy their demands; and (iii) retain skilled information technology employees. Failure of our technology systems, which could result from events beyond our control, or an inability to effectively upgrade those systems or implement new technology-driven products or services, could result in financial losses, liability to clients, and violations of applicable privacy and other applicable laws and regulatory sanctions.

**Cybersecurity - Security breaches of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability and harm our reputation.**

The expectations of sound operational and informational security practices have risen among our clients and vendors, the public at large and regulators. Our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, cyber-attacks and breakdowns. Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although cybersecurity incidents among financial services firms are on the rise, we have not experienced any material losses relating to cyber-attacks or other information security breaches. However, there can be no assurance that we will not suffer such losses in the future.

Despite our implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code and other events that could have an impact on the security and stability of our operations. Notwithstanding the precautions we take, if one or more of these events were to occur, this could jeopardize the information we confidentially maintain, including that of our clients and counterparties, which is processed, stored in and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our clients and counterparties. We may be required to expend significant additional resources to modify our protective measures, to investigate and remediate vulnerabilities or other exposures or to make required notifications or disclosures. We may also be subject to litigation and financial losses that are neither insured nor covered under any of our current insurance policies.

A technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to potential disciplinary action by regulators. Our regulators have introduced programs to review our protections against such incidents which, if they determined that our systems do not reasonably protect our clients assets and their data, could result in enforcement activity and sanctions.

In providing services to clients, we may manage, utilize and store sensitive or confidential client or employee data, including personal data. As a result, we may be subject to numerous laws and regulations designed to protect this information, such as U.S. federal and state and international laws governing the protection of personally identifiable information. These laws and regulations are increasing in complexity and number. If any person, including any of our associates, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or otherwise mismanages or misappropriates such data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through system failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients and related revenue.

Potential liability in the event of a security breach of client data could be significant. Depending on the circumstances giving rise to the breach, this liability may not be subject to a contractual limit or an exclusion of consequential or indirect damages. The federally mandated Consolidated Audit Trail ("CAT") program which requires that client personally identifiable information be submitted to a database not controlled by us may expose us to liability for breaches of that data base not under our control.

As a result of the foregoing, the Company has and is likely to incur significant costs in preparing its infrastructure and maintaining it to resist any such attacks. In addition to personnel dedicated to overseeing the infrastructure and systems to defend against cybersecurity incidents, senior management is regularly briefed on issues, preparedness and any incidents requiring response. At its regularly scheduled meetings, the Audit Committee of the Board of Directors and the Board of Directors are briefed and brought up to date on cybersecurity.

**The Company continually encounters technological change**

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services, driven by the emergence of the Fintech industry. The effective use of technology increases efficiency and enables financial institutions to better serve customers and reduce costs. The Company's future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Company's operations. Many of the Company's competitors have substantially greater resources to invest in technological improvements. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Company's business and, in turn, the Company's financial condition and results of operations.

**There is risk associated with the sufficiency of coverage under the Company's insurance policies**

The Company's operations and financial results are subject to risks and uncertainties related to the use of a combination of insurance, self-insured retention and self-insurance for a number of risks, including most significantly property and casualty, general liability, cyber-crime, workers' compensation, and the portion of employee-related health care benefits plans funded by the Company, and certain errors and omissions liability, among others.

While the Company endeavors to purchase insurance coverage that is appropriate to its assessment of risk, it is unable to predict with certainty the frequency, nature or magnitude of claims for direct or consequential damages. The Company's business may be negatively affected if in the future its insurance proves to be inadequate or unavailable. In addition, insurance claims may divert management resources away from operating the business.

**Climate change concerns could disrupt our businesses, adversely affect client activity levels, adversely affect the creditworthiness of our counterparties and damage our reputation.**

Climate change may cause extreme weather events that, among other things, could damage our facilities and equipment, injure our employees, disrupt operations at one or more of our primary locations, negatively affect our ability to service and interact with our clients, and adversely affect the value of our investments. Any of these events may increase our costs including our costs to insure against these events.

Climate change may also have a negative impact on the financial condition of our clients, which may decrease revenues from those clients and increase the credit exposures to those clients. Additionally, our reputation and client relationships may be damaged as a result of our involvement, or our clients' involvement, in certain industries associated with causing or exacerbating, or alleged to cause or exacerbate, climate change. We also may be negatively impacted by any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. New regulations or guidance relating to climate change, as well as the perspectives of shareholders, employees and other stakeholders regarding climate change, may affect whether and on what terms and conditions we engage in certain activities or offer certain products.

**LEGAL, REGULATORY AND COMPLIANCE RISKS**

**The Company is subject to extensive securities regulation and the failure to comply with these regulations could subject it to monetary penalties or sanctions.**

The securities industry and the Company's business are subject to extensive regulation by the SEC, state securities regulators, other governmental regulatory authorities and industry self-regulatory organizations. The Company may be adversely affected by new or revised legislation or regulations or changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

Oppenheimer is a broker-dealer and investment adviser registered with the SEC and is primarily regulated by FINRA. Broker-dealers are subject to regulations which cover all aspects of the securities business, including, without limitation sales methods and supervision, underwriting, trading practices among broker-dealers, emerging standards concerning fees and charges imposed on clients for fee-based programs, use and safekeeping of customers' funds and securities, anti-money laundering and the USA Patriot Act (the "Patriot Act") compliance, capital structure of securities firms, trade and regulatory reporting, cybersecurity, pricing of services, compliance with DOL rules and regulations for retirement accounts, compliance with lending practices (Regulation T), record keeping, and the conduct of directors, officers and employees.

Compliance with many of the regulations applicable to the Company involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretation. The requirements imposed by these regulations are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with the Company. New regulations may result in enhanced standards of duty on broker-dealers in their dealings with their clients (fiduciary standards). Consequently, these regulations often serve to limit the Company's activities, including through net capital, customer protection and market conduct requirements, including those relating to principal trading. Much of the regulation of broker-dealers has been delegated to self-regulatory organizations, principally FINRA. FINRA adopts rules, subject to approval by the SEC, which govern its members and conducts periodic examinations of member firms' operations.

If the Company is found to have violated any applicable laws, rules or regulations, formal administrative or judicial proceedings may be initiated against it that may result in censure, fine, civil or criminal penalties, including treble damages in the case of insider trading violations, the issuance of cease-and-desist orders, the suspension or termination of our broker-dealer or investment advisory activities, the suspension or disqualification of our officers or employees; or other adverse consequences.

The imposition of any of the above or other penalties could have a material adverse effect on our operating results and financial condition.

**Financial services firms have been subject to increased regulatory scrutiny increasing the risk of financial liability and reputational harm resulting from adverse regulatory actions.**

Firms in the financial services industry have been operating in an onerous regulatory environment. The industry has experienced increased scrutiny from a variety of regulators, including the SEC and FINRA as well as state regulators. Penalties and fines sought by regulatory authorities have increased substantially. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and SROs. Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many different aspects of financial services, including, but not limited to, the authority to fine us and to grant, cancel, restrict or otherwise impose conditions on the right to continue operating particular businesses. For example, the failure to comply with the obligations imposed by the Exchange Act on broker-dealers and the Advisers Act on investment advisers, including recordkeeping, registration, advertising and operating requirements, disclosure obligations and prohibitions on fraudulent activities, or by the Investment Company Act of 1940 (the "1940 Act"), could result in investigations, sanctions and reputational damage. Increasingly, regulators have instituted a practice of regulation by enforcement" where new interpretation of existing regulations are introduced by bringing enforcement actions against securities firms for activities that occurred in the past but were not then thought to be problematic. We also may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other U.S. or foreign governmental regulatory authorities or SROs (e.g., FINRA) that supervise the financial markets. Substantial legal liability or significant regulatory action taken against us could have a material adverse effect on our business prospects including our cash position.

**Numerous regulatory changes, and enhanced regulatory and enforcement activity, relating to the asset management business may increase our compliance and legal costs and otherwise adversely affect our business.**

The SEC has proposed certain measures that would establish a new framework to replace the requirements of Rule 12b-1 under the 1940 Act with respect to how mutual funds pay fees to cover the costs of selling and marketing their shares. The staff of the SEC's Office of Compliance, Inspections and Examinations has indicated that it is reviewing the use of fund assets to pay for fees to sub-transfer agents and sub-administrators for services that may be deemed to be distribution-related. As these measures are neither final nor undergoing implementation throughout the financial services industry, their impact cannot be fully ascertained at this time. As this regulatory trend continues, it could adversely affect our operations and, in turn, our financial results.

U.S. and foreign governments have taken regulatory actions impacting the investment management industry, and may continue to take further actions, including expanding current (or enacting new) standards, requirements and rules that may be applicable to us and our subsidiaries, particularly those subsidiaries that are SEC registered investment advisers. For example, the SEC and several states and municipalities in the United States have adopted "pay-to-play" rules, which could limit our ability to charge advisory fees. Such "pay-to-play" rules could affect the profitability of that portion of our business. Additionally, the use of "soft dollars," where a portion of commissions paid to broker-dealers in connection with the execution of trades also pays for research and other services provided to advisors has been mostly prohibited in Europe and, is periodically reexamined in the U.S. and may be limited or modified in the future The use of various mutual fund share classes has come under significant regulatory scrutiny. The SEC recently completed its Mutual Fund Share Class Disclosure Initiative pursuant to which the SEC found that firm's investment management disclosure relating to 12b-1 fees was deficient resulting in restitution of fees to investment management clients. Furthermore, new regulations regarding the management of hedge funds and the use of certain investment products may impact our investment management business and result in increased costs. For example, many regulators around the world adopted disclosure and reporting requirements relating to the hedge fund business.

On June 5, 2019, the SEC adopted Regulation Best Interest (“Reg BI”) as Rule 15l-1 under the Exchange Act. Reg BI imposes a new federal standard of conduct on registered broker-dealers and their associated persons when dealing with retail clients and requires that a broker-dealer and its representatives act in the best interest of such client and not place its own interests ahead of the customer’s interests. The effective compliance date for Reg BI was June 30, 2020. It is too early to predict what effects Reg BI and associated rules will have on the Company. However, there is a need for enhanced documentation for recommendations of securities transactions to broker-dealer retail clients as well as the cessation of certain practices and limitations on certain kinds of transactions previously conducted in the normal course of business. The new rules and processes related thereto will likely limit revenue and most likely involve increased costs, including, but not limited to, compliance costs associated with new or enhanced technology as well as increased litigation costs. (*see* “Business – Regulation – Fiduciary Standard – Rulemaking by the U.S. Department of Labor and SEC” in Part I, Item 1).

It is not possible to determine the extent of the impact of any new laws, regulations or initiatives that may be imposed, or whether any existing proposals will become law. Conformance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business.

**If the Company violates the securities laws, or is involved in litigation in connection with a violation, the Company's reputation and results of operations may be adversely affected.**

Many aspects of the Company's business involve substantial risks of liability. An underwriter is exposed to substantial liability under federal and state securities laws, other federal and state laws, and court decisions, including decisions with respect to underwriters' liability and limitations on indemnification of underwriters by issuers. For example, a firm that acts as an underwriter may be held liable for material misstatements or omissions of fact in a prospectus used in connection with the securities being offered or for statements made by its securities analysts or other personnel. The Company's underwriting activities will usually involve offerings of the securities of smaller companies, which often involve a higher degree of risk and are more volatile than the securities of more established companies. In comparison with more established companies, smaller companies are also more likely to be the subject of securities class actions, to carry directors and officers liability insurance policies with lower limits or not at all, and to become insolvent. In addition, in market downturns, claims tend to increase. Each of these factors increases the likelihood that an underwriter may be required to contribute to an adverse judgment or settlement of a securities lawsuit.

In the normal course of business, the operating subsidiaries have been and continue to be the subject of numerous civil actions and arbitrations arising out of customer complaints relating to our activities as a broker-dealer and investment adviser, as an employer and as a result of other business activities. If the Company misjudged the amount of damages that may be assessed against it from pending or threatened claims, or if the Company is unable to adequately estimate the amount of damages that will be assessed against it from claims that arise in the future and reserve accordingly, its financial condition and results of operations may be materially adversely affected.

## RISK MANAGEMENT

**The Company's risk management policies and procedures may leave it exposed to unidentified risks or an unanticipated level of risk.**

The policies and procedures the Company employs to identify, monitor and manage risks may not be fully effective. Some methods of risk management are based on the use of observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than historical measures indicate. Other risk management methods depend on evaluation of information regarding markets, clients or other matters that are publicly available or otherwise accessible. This information may not be accurate, complete or up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events. The Company cannot give assurances that its policies and procedures will effectively and accurately record and verify this information.

The Company seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems. The Company believes that it effectively evaluates and manages the market, credit and other risks to which it is exposed. Nonetheless, the effectiveness of the Company’s ability to manage risk exposure can never be completely or accurately predicted or fully assured, and there can be no guarantee that the Company’s risk management will be successful. For example, unexpectedly large or rapid movements or disruptions in one or more markets or other unforeseen developments can have a material adverse effect on the Company’s financial condition and results of operations. The consequences of these developments can include losses due to adverse changes in securities values, decreases in the liquidity of trading positions, higher volatility in earnings, increases in the Company’s credit risk to customers as well as to third parties and increases in general systemic risk. Certain of the Company’s risk management systems are subject to regulatory review and may be found to be insufficient by the Company’s regulators potentially leading to regulatory sanctions. The Company over the past several years has increased its systems of surveillance over the various risks facing its business and has instituted standing committees to regularly review both the risks themselves as well as the adequacy of the systems providing information. There can be no guarantee that the operation of these systems will allow the Company to prevent or mitigate the various risks faced by its businesses. Various regulators periodically review companies’ risk control practices, and, if found inadequate, bring enforcement actions and sanctions against such firms.

## RISKS ASSOCIATED WITH THE COMPANY’S COMMON STOCK

**The holders of Class A Stock do not have the ability to vote on most corporate matters which limits the influence that these holders have over the Company.**

The Company issues two classes of shares, Class A non-voting common stock (the “Class A Stock") and Class B voting common stock (the "Class B Stock"). At December 31, 2020, there were 99,665 shares of Class B Stock outstanding compared to 12,381,778 shares of Class A Stock. The voting power associated with the Class B Stock allows holders of Class B Stock to effectively exercise control over all matters requiring stockholder approval, including the election of all directors and approval of significant corporate transactions, and other matters affecting the Company. Approximately 98% of the Class B voting shares are held by an entity controlled by Mr. Albert Lowenthal, the Chairman and CEO of the Company, which allows Mr. Lowenthal to control all matters requiring stockholder approval. Due to the lack of voting power, the Class A stockholders have limited influence on corporate matters. This Class B voting power may have the effect of depressing the price of the Company's Class A Stock, delaying or preventing a change in control of the Company or may result in the receipt of a "control premium" by the controlling stockholder which premium would not be received by the holders of the Class A Stock. The controlling stockholder may have potential conflicts of interest with other stockholders including the ability to determine the outcome of "say on pay" provisions at the Company.

**The trading volume in the Company's Class A Stock is less than that of larger financial services companies.**

Although the Company's Class A Stock is listed for trading on the NYSE, the trading volume in the Class A Stock is less than that of larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of the Company's Class A Stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Company has no control. Given the lower trading volume of the Company's Class A Stock, significant sales of shares of the Company's Class A Stock, or the expectation of these sales, could cause the Company's Class A Stock price to fall and increase the volatility of the Class A Stock generally.

## GENERAL BUSINESS AND ECONOMIC RISKS

**The effects of the outbreak of the novel coronavirus (COVID-19) have negatively affected the global economy, the United States economy and the global financial markets, and may disrupt our operations and our clients' operations, which could have an adverse effect on our business, financial condition and results of operations.**

The ongoing COVID-19 global and national health emergency has caused significant disruption in the international and United States economies and financial markets. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The spread of COVID-19 has caused widespread illness and death, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, unemployment, labor shortages, supply chain interruptions and overall economic and financial market instability in the United States. Similar impacts have been experienced in every country in which we do business. Impacts to our business could be widespread and global, and material impacts may be possible, including key employees contracting COVID-19, reductions in our operating effectiveness as our employees work from home or disaster-recovery locations, unavailability of key personnel necessary to conduct our business activities, an economic environment which may have significant accounting and financial reporting implications, unprecedented volatility in global financial markets, reductions in revenue across our operating businesses, delay in planned entry into, or expansion of, investments or projects in foreign jurisdictions, closure of our offices or the offices of our clients, and de-globalization.

We are taking precautions to protect the safety and well-being of our employees and customers. However, no assurance can be given that the steps being taken will be deemed to be adequate or appropriate, nor can we predict the level of disruption which will occur to our employees' ability to provide customer support and service. The ongoing COVID-19 pandemic has resulted in meaningfully lower stock prices for many companies, and may negatively affect the trading prices for our own securities. The further spread of the COVID-19 outbreak may materially disrupt banking and other financial activity generally and in the areas in which we operate. This would likely result in a decline in demand for our products and services, which would negatively impact our liquidity position and our growth strategy. Any one or more of these developments could have a material adverse effect on our business, operations, consolidated financial condition, and consolidated results of operations.

The introduction of new vaccines to treat COVID-19 offer the likelihood of the end of the pandemic sometime during 2021. The ability to eliminate the virus will depend upon the availability of the vaccines to the general population in sufficient quantities and for the political will to overcome the logistical issues in delivering and inoculating the populations so as to reach "herd immunity" at an early date in the foreseeable future.

Adverse changes in general political conditions and social unrest could adversely affect business and our operating results should recent demonstrations and issues of uncontrolled violence become more manifest. There is no way to predict the impact that political activity, the pandemic and the influence of social media have had on these societal issues.

**Developments in market and economic conditions have adversely affected, and may in the future adversely affect, the Company's business and profitability.**

Performance in the financial services industry is heavily influenced by the overall strength of economic conditions and financial market activity, which generally have a direct and material impact on the Company's results of operations and financial condition. These conditions are a product of many factors, which are mostly unpredictable and beyond the Company's control, and may affect the decisions made by financial market participants.

Changes in economic and political conditions, including economic output levels, interest and inflation rates, employment levels, prices of commodities including oil and gas, exogenous market events, consumer confidence levels, and fiscal and monetary policy can affect market conditions. For example, the Federal Reserve's policies determine, in large part, the cost of funds for lending and investing and the return earned on those loans and investments. The market impact from such policies also can decrease materially the value of certain of our financial assets, most notably debt securities. Changes in the Federal Reserve's policies are beyond our control and, consequently, the impact of these changes on our activities and results of our operations are difficult to predict. While global financial markets have shown signs of improvement in recent years, uncertainty remains. A period of sustained downturns and/or volatility in the securities markets, and/or prolonged levels of increasing interest rates, could lead to a return to increased credit market dislocations, reductions in the value of real estate, and other negative market factors which could significantly impair our revenues and profitability.

U.S. markets may also be impacted by political and civil unrest occurring in the Middle East, Eastern Europe, Russia, Venezuela and Asia. Concerns about the European Union ("EU"), including Britain's recent exit from the EU ("Brexit"), and the stability of the EU's sovereign debt, has caused uncertainty and disruption for financial markets globally. Continued uncertainties loom over the outcome of the EU's financial support programs. It is possible that other EU member states may choose to follow Britain's lead and leave the EU. Any negative impact on economic conditions and global markets from these developments could adversely affect our business, financial condition and liquidity.

Uncertain or unfavorable market or economic conditions could result in reduced transaction volumes, reduced revenue and reduced profitability in any or all of the Company's principal businesses. For example:

- The Company's investment banking revenue, in the form of underwriting, placement and financial advisory fees, is directly related to the volume and value of transactions as well as the Company's role in these transactions. In an environment of uncertain or unfavorable market or economic conditions, the volume and size of capital-raising transactions and acquisitions and dispositions typically decreases, thereby reducing the demand for the Company's investment banking services and increasing price competition among financial services companies seeking such engagements. The completion of anticipated investment banking transactions in the Company's pipeline is uncertain and beyond its control, and its investment banking revenue is typically earned upon the successful completion of a transaction. In most cases, the Company receives little or no payment for investment banking engagements that do not result in the successful completion of a transaction. For example, a client's acquisition transaction may be delayed or terminated because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or unexpected financial or other problems in the client's or counterparty's business. If the parties fail to complete a transaction on which the Company is advising or an offering in which it is participating, the Company will earn little or no revenue from the transaction but may incur expenses including, but not limited, to legal fees. The Company may perform services subject to an engagement agreement and the client may refuse to pay fees due under such agreement, requiring the Company to re-negotiate fees or commence legal action for collection of such earned fees. Accordingly, the Company's business is highly dependent on market conditions, the decisions and actions of its clients and interested third parties. The number of engagements the Company has at any given time is subject to change and may not necessarily result in future revenues. Assignments related to special purpose acquisition companies ("SPACs") grew our investment banking pipeline and fees in the third and fourth quarter of 2020 and has continued into the first quarter of 2021. We cannot assure that the high level of transactions for SPACs and corresponding high fees will continue indefinitely. Additionally, our investments in SPACs, may be subject to forfeiture, potential regulatory scrutiny and litigation that could negatively affect our financial results.
- A portion of the Company's revenues are derived from fees generated from its asset management business segment. Asset management fees often are primarily comprised of base management and performance (or incentive) fees. Management fees are primarily based on assets under management. Assets under management balances are impacted by net inflow/outflow of client assets and changes in market values. Poor investment performance by the Company's funds and portfolio managers could result in a loss of managed accounts and could result in reputational damage that might make it more difficult to attract new investors and thus further impact the Company's business and financial condition. If the Company experiences losses of managed accounts, fee revenue will decline. In addition, in periods of declining market values, the values of assets under management may ultimately decline, which would negatively impact fee revenues.
- In the past decade, passively managed index funds have seen greater investor interest, and this trend has become more prevalent in recent years. This has led to a decline in the revenue the Company generates from commissions on the execution of trading transactions as turnover in client accounts diminishes. A continued lessening of investor interest in active investing and continued increase in passive investing may lead to a continued decline in the revenue the Company generates from commissions on the execution of trading transactions and, in respect of its market-making activities, a reduction in the value of its trading positions and commissions and spreads.

**The Company has experienced significant pricing pressure in areas of its business, which may impair its revenues and profitability.**

In recent years the Company has experienced, and continues to experience, significant pricing pressures on trading margins and commissions in debt and equity trading. In the fixed income market, regulatory requirements have resulted in greater price transparency, leading to increased price competition and decreased trading margins. In the equity market, the Company has experienced increased pricing pressure from institutional clients to reduce commissions, and this pressure has been augmented by the increased use of electronic and direct market access trading, which has created additional downward pressure on trading margins. The trend toward using alternative trading systems is continuing to grow, which may result in decreased commission and trading revenue, reduce the Company's participation in the trading markets and its ability to access market information, and lead to the creation of new and stronger competitors. Institutional clients also have pressured financial services firms to alter "soft dollar" practices under which brokerage firms bundle the cost of trade execution with research products and services. Some institutions are entering into arrangements that separate (or "unbundle") payments for research products or services from sales commissions. Institutions subject to MiFID II, which the Company does business with primarily through its European based subsidiary, were required to unbundle such payments commencing January 3, 2018.

These arrangements have increased the competitive pressures on sales commissions and have affected the value the Company's clients place on high-quality research. Moreover, the Company's inability to reach agreement regarding the terms of unbundling arrangements with institutional clients who are actively seeking such arrangements could result in the loss of those clients, which would likely reduce the level of institutional commissions. The Company believes that price competition and pricing pressures in these and other areas will continue as institutional investors continue to reduce the amounts they are willing to pay, including reducing the number of brokerage firms they use, and some of our competitors seek to obtain market share by reducing fees, commissions or margins. The recent announcement by several large securities firms that they will not charge any fee to retail investors to execute equity transactions will only add to this pressure, especially the firms likes ours that cater to retail investors as well. Additional pressure on sales and trading revenue may impair the profitability of the Company's business.

**The Company may make strategic acquisitions of businesses, engage in joint ventures or divest or exit existing businesses, which could result in unforeseen expenses or disruptive effects on its business.**

From time to time, the Company may consider acquisitions of other businesses or joint ventures with other businesses. Any acquisition or joint venture that the Company determines to pursue will be accompanied by a number of risks. After the announcement or completion of an acquisition or joint venture, the Company's share price could decline if investors view the transaction as too costly or unlikely to improve the Company's competitive position.

Costs or difficulties relating to such a transaction, including integration of products, employees, offices, technology systems, accounting systems and management controls, may be difficult to predict accurately and be greater than expected causing the Company's estimates to differ from actual results. The Company may be unable to retain key personnel after the transaction, and the transaction may impair relationships with customers and business partners. In addition, the Company may be unable to achieve anticipated benefits and synergies from the transaction as fully as expected or within the expected time frame. Divestitures or elimination of existing businesses or products could have similar effects, including the loss of earnings of the divested business or operation. These difficulties could disrupt the Company's ongoing business, increase its expenses and adversely affect its operating results and financial condition. As the costs of doing business increase, the Company may not be able to continue to grow its revenues through “organic” growth (the growth attendant to hiring one employee at a time or through expanding into a new business line through a limited investment in technology and employment). In lieu of organic growth, it becomes increasingly necessary to grow through the acquisition of a business or businesses that fulfill the Company’s strategic decisions for growth. However, due to competition or the cost of such acquisitions, such expansion may not be available on a profitable basis and may threaten the Company’s ongoing ability to expand its business.

**The business operations that are conducted outside of the United States subject the Company to unique risks and potential loss.**

To the extent the Company conducts business outside the United States, it is subject to risks including, without limitation, the risk that it will be unable to provide effective operational support to these business activities, the risk of non-compliance with foreign laws and regulations, the general economic and political conditions in countries where it conducts business and currency fluctuations. The Company operates in Israel, the United Kingdom, the Isle of Jersey, Germany, Switzerland and Hong Kong. If the Company is unable to manage these risks relating to its foreign operations effectively, its reputation and results of operations could be harmed.

**England’s recent exit from the EU could impact our overseas operations.**

In June 2016, the UK held a referendum in which voters approved an exit from the EU, commonly referred to as “Brexit,” and the UK exited the EU in January 2020. The withdrawal could, among other outcomes, disrupt the free movement of goods, services and people between the UK and the EU, undermine bilateral cooperation in key policy areas and significantly disrupt trade between the UK and the EU. The UK exited the EU without a continuing agreement covering many aspects of its relationship, at least as that relates to financial services, which could be significantly disruptive to the economies of both parties and may negatively affect our business. We may also face new regulatory costs and challenges as a result of Brexit that could have a negative effect on our operations. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. Given the lack of comparable precedent, it is unclear what financial, regulatory, trade and legal implications the withdrawal of the UK from the EU will have and how such withdrawal will affect us.

We have operations in other foreign countries and may move elements of our UK operations to a yet to be determined other location within the EU. In particular, it is possible that the level of economic activity in the UK and the rest of Europe will be adversely impacted and that we will face increased regulatory and legal complexities, including those related to tax, trade, security and employee relations as a result of Brexit. Such changes could be costly and potentially disruptive to our operations and business relationships in affected regions.

**The ability to attract, develop and retain highly skilled and productive employees, particularly qualified financial advisors is critical to the success of the Company's business.**

The Company faces intense competition for qualified employees from other businesses in the financial services industry, and the performance of its business may suffer to the extent it is unable to attract and retain employees effectively, particularly given the relatively small size of the Company and its employee base compared to some of its competitors. The primary sources of revenue in each of the Company's business lines are commissions and fees earned on advisory and underwriting transactions and customer accounts managed by its employees, who are regularly recruited by other firms and in certain cases are able to take their client relationships with them when they change firms. Experienced employees are regularly offered financial inducements by larger competitors to change employers, and thus competitors can de-stabilize the Company's relationship with valued employees. Some specialized areas of the Company's business are operated by a relatively small number of employees, the loss of any of whom could jeopardize the continuation of that business following the employee's departure.

Turnover in the financial services industry is high. The cost of retaining skilled professionals in the financial services industry has escalated considerably. Financial industry employers are increasingly offering guaranteed contracts, upfront payments, and increased compensation. These can be important factors in a current employee's decision to leave us as well as in a prospective employee's decision to join us. As competition for skilled professionals in the industry remains intense, we may have to devote significant resources to attracting and retaining qualified personnel. To the extent we have compensation targets, we may not be able to retain our employees, which could result in increased recruiting expense or result in our recruiting additional employees at compensation levels that are not within our target range. In particular, our financial results may be adversely affected by the costs we incur in connection with any upfront loans or other incentives we may offer to newly recruited financial advisors and other key personnel. If we were to lose the services of any of our investment bankers, senior equity research, sales and trading professionals, asset managers, or executive officers to a competitor or otherwise, we may not be able to retain valuable relationships and some of our clients could choose to use the services of a competitor instead of our services. If we are unable to retain our senior professionals or recruit additional professionals, our reputation, business, results of operations and financial condition could be adversely affected. Further, new business initiatives and efforts to expand existing businesses generally require that we incur compensation and benefits expense before generating additional revenues.

Moreover, companies in our industry whose employees accept positions with competitors frequently claim that those competitors have engaged in unfair hiring practices. We have been subject to such claims and may be subject to additional claims in the future as we seek to hire qualified personnel, some of whom may work for our competitors. Some of these claims may result in material litigation.

We could incur substantial costs in defending against these claims, regardless of their merits. Such claims could also discourage potential employees who work for our competitors from joining us. Recent actions by some larger competitors to reject the "Recruiting Protocol", an industry adopted set of practices permitting financial advisors to port their client relationships to a new firm under strict rules, is likely to increase the likelihood of litigation among competitors surrounding the employment of new advisors and their solicitation of their clients and may act as a new barrier to recruitment of financial advisors.

**The Company depends on its senior employees and the loss of their services could harm its business.**

The Company's success is dependent in large part upon the services of its senior executives and employees. Any loss of service of the chief executive officer ("CEO") may adversely affect the business and operations of the Company. The Company maintains key man insurance on the life of its CEO. Approximately 98% of the shares of Class B voting Stock are held by Phase II Financial Inc. ("Phase II"), a Delaware corporation controlled by Mr. Albert Lowenthal, the Chairman and CEO of the Company. In the event of Mr. Lowenthal's death or incapacity, control of Phase II would pass to Mr. Lowenthal's spouse. If the Company's senior executives or employees terminate their employment and the Company is unable to find suitable replacements in relatively short periods of time, its operations may be materially and adversely affected.

**The precautions the Company takes to prevent and detect employee misconduct may not be effective and the Company could be exposed to unknown and unmanaged risks or losses.**

The Company runs the risk that employee misconduct could occur. Misconduct by employees could include, employees binding the Company to transactions that exceed authorized limits or present unacceptable risks to the Company (rogue trading); employee theft and improper use of Company or client property; employees conspiring with other employees or third parties to defraud the Company; employees hiding unauthorized or unsuccessful activities from the Company, including outside business activities that are undisclosed and may result in liability to the Company; employees steering or soliciting their clients into investments which have not been sponsored by the Company and without the proper diligence; the improper use of confidential information; employee conduct outside of acceptable norms including harassment; or employees engaging in “hacking” or breaching our cybersecurity safeguards.

These types of misconduct could result in unknown and unmanaged risks or losses to the Company including regulatory sanctions and serious harm to its reputation. The precautions the Company takes to prevent and detect these activities may not be effective. If employee misconduct does occur, the Company's business operations could be materially adversely affected.

There have been a number of highly-publicized cases involving fraud or other misconduct by employees in the financial services industry, and the Company has experienced such cases in the past and there is a risk that our employees could engage in misconduct in the future that adversely affects our business. The Company has experienced employee misconduct which has led to regulatory sanctions and legal liability that has adversely affected our results and could continue to adversely affect our results in the future. We remain subject to a number of obligations and standards arising from our asset management business and our authority over the assets managed by our asset management business. In addition, our financial advisors may act in a fiduciary capacity, providing financial planning, investment advice and discretionary asset management. The violation of these obligations and standards by any of our employees could adversely affect our clients and us. It is not always possible to deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If our employees engage in misconduct, our business could be materially adversely affected including our cash position.

Employee misconduct, including harassment in the workplace has come under increasing scrutiny in the national media. While the Company has adopted a Code of Conduct and instituted training for its employees, it is difficult to predict when an employee may deviate from acceptable practices and open the Company to liability either from actions taken by other employees or by authorities. The “#Me Too” movement has also opened up liability for actions that may have occurred many years ago, but have an increased likelihood of present day action. The Company could also become liable for its actions in enforcing its rules of conduct by former employees who disagree with the Company’s actions.

**Item 1B. UNRESOLVED STAFF COMMENTS**

None.

**Item 2. PROPERTIES**

The Company and Oppenheimer maintain offices at their 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. Since early March 2020, around 90% of the Company's employees based out of our headquarters have been working remotely. We anticipate that this will continue well into 2021 until vaccinations are more widely administered. Generally, the offices outside of 85 Broad Street serve as bases for sales representatives who process trades and provide other brokerage services in co-operation with Oppenheimer's New York offices using the data processing facilities located there. The Company maintains an office in Troy, Michigan, which among other things, houses its payroll and human resources departments. Oppenheimer Trust is based in Wilmington, Delaware. Freedom conducts its business from its offices located in Edison, New Jersey. Management believes that its present facilities are adequate for the purposes for which they are used and have adequate capacity to provide for presently contemplated future uses. In addition, the Company has offices in London, England, St. Helier, Isle of Jersey, Geneva, Switzerland, Frankfurt, Germany, Tel Aviv, Israel and Hong Kong, China. Working arrangements for employees based outside of our corporate headquarters varies based on local regulations and COVID-19 infection rates. Management is assessing its future real estate needs in light of the ongoing pandemic, current remote conditions, the existing footprint, and upcoming lease expirations.

## Item 3. 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. Regulatory investigations in the financial services industry may include investigations by multiple regulators of matters involving the same or similar underlying facts and seek 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 consolidated balance sheet and statement of cash flows. 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 — "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Matters and Developments" and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting 'Forward-Looking Statements'" in Item 7.

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 $nil to approximately $5.0 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 some 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 materially 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.

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 twenty-one offers to purchase ARS from customer accounts when the Company's latest offer to purchase was fully accepted on September 24, 2020. As of December 31, 2020, the Company had purchased and holds (net of redemptions) $35.7 million of ARS pursuant to settlements with the Regulators and legal settlements and awards.

As of December 31, 2020, the Company has no remaining commitments to purchase ARS as a result of 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. At December 31, 2020, the Company has $1.3 million of ARS to purchase from Eligible Investors related to the settlements with the Regulators.

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; and (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; Oppenheimer believes that because of 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, 2020 and in the Company's Annual Reports on Form 10-K for the years ended December 31, 2010 through and including 2019, for additional details of the agreements with the MSD and NYAG.

## Item 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

### Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

**(a)** The Company's Class A Stock is listed and traded on the NYSE (trading symbol "OPY"). The Class B Stock is not traded on any stock exchange and, as a consequence, there is only limited trading in the Class B Stock. The Company does not presently contemplate listing the Class B Stock in the United States on any national or regional stock exchange or on NASDAQ.

As of December 31, 2020, there were 1,343,086 shares of Class A Stock underlying outstanding options and restricted share awards. Class A Stock underlying all vested options, if exercised, and restricted shares could be sold pursuant to Rule 144 or effective registration statements on Form S-8.

**(b)** The following table sets forth information about the stockholders of the Company as of March 1, 2021 as set forth in the records of the Company's transfer agent and registrar:

| | Number of Shares | Number of Stockholders of Record |
|---|---|---|
| Class A Stock | 12,580,734 | 73 |
| Class B Stock | 99,665 | 33 |

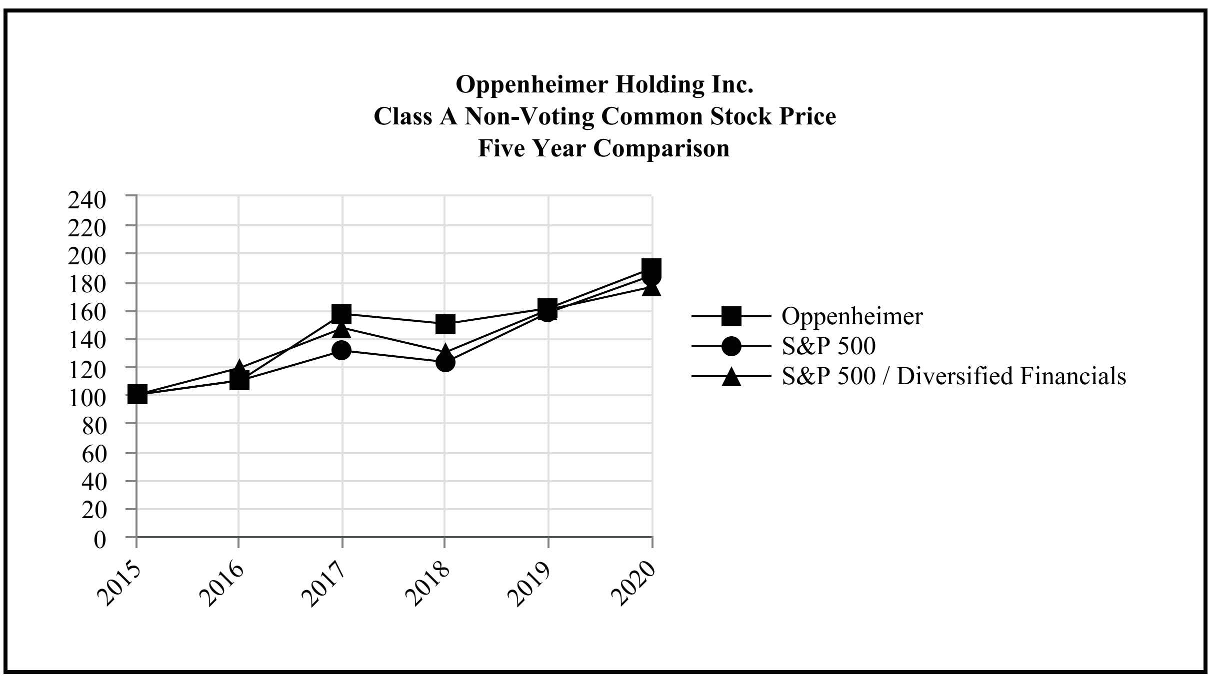
**(c) Share-Based Compensation Plans**

On February 26, 2014, the Company adopted the Oppenheimer Holdings Inc. 2014 Incentive Plan (the "OIP") pursuant to which the Compensation Committee of the Board of Directors of the Company grants options to purchase Class A Stock, restricted Class A Stock awards and Class A Stock awards to officers, directors and key employees of the Company and its subsidiaries.

The Company's share-based compensation plans are described in note 16 to the consolidated financial statements appearing in Item 8.

**(d) Share Performance Graph**

The following graph shows changes over the past five year period of U.S. $100 invested in (1) the Company's Class A Stock, (2) the Standard & Poor's 500 Index (S&P 500), and (3) the Standard & Poor's 500 Diversified Financial Index (S&P 500 / Diversified Financials – S5DIVF):



| As of December 31, | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|
| Oppenheimer Class A Stock | 100 | 110 | 157 | 150 | 161 | 189 |
| S&P 500 | 100 | 110 | 131 | 123 | 158 | 184 |
| S&P 500 / Diversified Financials | 100 | 119 | 147 | 130 | 160 | 176 |

**Stock Buy-Back**

On May 15, 2020, the Company announced that its Board of Directors approved a share repurchase program that authorizes the Company to purchase up to 530,000 shares of the Company's Class A Stock, representing approximately 4.2% of its 12,636,523 then issued and outstanding shares of Class A Stock. This authorization supplemented the 98,625 shares that remained authorized and available under the Company's previous share repurchase program for a total of 628,625 shares authorized and available for repurchase at May 15, 2020.

During the year ended December 31, 2020, the Company purchased and canceled an aggregate of 718,522 shares of Class A Stock for a total consideration of $15.0 million ($20.94 per share). As of December 31, 2020, 401,013 shares remained available to be purchased under this program. During the year ended December 31, 2019, the Company purchased and canceled an aggregate of 323,249 shares of Class A Stock for a total consideration of $8.4 million ($25.99 per share). As of December 31, 2019, 589,535 shares remained available to be purchased under the share repurchase program.

Any such share purchases will be made by the Company from time to time in the open market at the prevailing open market price using cash on hand, in compliance with the applicable rules and regulations of the New York Stock Exchange and federal and state securities laws and the terms of the Company's Notes. All shares purchased will be canceled. The share repurchase program is expected to continue indefinitely. The timing and amounts of any purchases will be based 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, these repurchases may be commenced or suspended from time to time without prior notice.

## Item 6. SELECTED FINANCIAL DATA

The following table presents selected financial information derived from the consolidated financial statements of the Company for each of the five years in the period ended December 31, 2020:

| *(Expressed in thousands, except number of shares and per share amounts)* | 2020 | 2019 | 2018 [2] | 2017 [2] | 2016 |
|---|---|---|---|---|---|
| Revenue | $ 1,198,667 | $ 1,033,379 | $ 958,154 | $ 920,338 | $ 857,779 |
| Net income (loss) from continuing operations | 122,986 | 52,953 | 28,892 | 21,686 | (9,630) |
| Net income from discontinued operations | — | — | — | 1,130 | 10,121 |
| Net income | 122,986 | 52,953 | 28,892 | 22,816 | 491 |
| Net income attributable to non-controlling interest, net of tax | — | — | — | — | 1,652 |
| Net income (loss) attributable to Oppenheimer Holdings Inc. | $ 122,986 | $ 52,953 | $ 28,892 | $ 22,816 | $ (1,161) |
| Basic net income (loss) per share attributable to Oppenheimer Holdings Inc. [1] | | | | | |
| Continuing operations | $ 9.73 | $ 4.10 | $ 2.18 | $ 1.65 | $ (0.72) |
| Discontinued operations | — | — | — | 0.07 | 0.63 |
| Net income (loss) per share | $ 9.73 | $ 4.10 | $ 2.18 | $ 1.72 | $ (0.09) |
| Diluted net income (loss) per share attributable to Oppenheimer Holdings Inc. [1] | | | | | |
| Continuing operations | $ 9.30 | $ 3.82 | $ 2.05 | $ 1.60 | $ (0.72) |
| Discontinued operations | — | — | — | 0.07 | 0.63 |
| Net income (loss) per share | $ 9.30 | $ 3.82 | $ 2.05 | $ 1.67 | $ (0.09) |
| Total assets | $ 2,713,903 | $ 2,464,755 | $ 2,240,314 | $ 2,438,517 | $ 2,236,930 |
| Long term debt | $ 123,846 | $ 149,515 | $ 199,096 | $ 198,837 | $ 149,352 |
| Total liabilities | $ 2,028,235 | $ 1,872,033 | $ 1,694,992 | $ 1,914,606 | $ 1,723,596 |
| Cash dividends paid per share of Class A and Class B Stock | $ 1.48 | $ 0.46 | $ 0.44 | $ 0.44 | $ 0.44 |
| Total Oppenheimer Holdings Inc. stockholders' equity | $ 685,668 | $ 592,722 | $ 545,322 | $ 523,550 | $ 510,703 |
| Book value per share attributable to Oppenheimer Holdings Inc. [1] | $ 54.93 | $ 46.31 | $ 41.81 | $ 39.55 | $ 38.22 |
| Number of shares of capital stock outstanding [1] | 12,481,443 | 12,798,368 | 13,041,474 | 13,238,868 | 13,360,760 |

(1) The Class A Stock and Class B Stock are combined because they are of equal rank for purposes of dividends and in the event of a distribution of assets upon liquidation, dissolution or winding up.

(2) Certain prior period amounts have been reclassified to conform to the current period presentation.

## Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### BACKGROUND

The consolidated financial statements include the accounts of OPY and its consolidated subsidiaries (together, the "Company", "we", "our" or "us"). The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto which appear elsewhere in this annual report.

The Company 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 December 31, 2020, we provided our services from 92 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 December 31, 2020 totaled $104.8 billion. The Company provides investment advisory services through OAM and Oppenheimer Investment Management LLC ("OIM") and Oppenheimer's financial advisor direct programs. At December 31, 2020, client assets under management ("AUM") totaled $38.8 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 December 31, 2020, the Company employed 2,908 employees (2,871 full-time and 37 part-time), of whom 1,002 were financial advisors.

#### *Outlook*

We are focused on growing our private client and asset management businesses through strategic additions of experienced financial advisors 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. We are also focused on opportunities in our capital market businesses where we can acquire experienced personnel and/or business units that will improve our ability to attract institutional clients in both equities and fixed income without significantly raising our risk profile. In investment banking we are committed to grow our footprint by adding experienced bankers within our existing industry practices.

We continuously invest in and improve our technology platform to support client service and to remain competitive while continuously 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 effort, and investing in people and programs, while providing a platform with first class investment programs 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. In addition, the Company may from time to time make minority private investments out of excess capital in allied or unrelated businesses with the goal of syndicating the investment to eligible clients or to retain ownership because we believe them to be an attractive investment.

#### *Impact of Interest Rates*

The Federal Reserve Bank implemented a series of increases in its benchmark short-term interest rate between December 2015 and December 2018. These increases in short-term interest rates had a significant positive impact on our overall financial performance, as we have programs offered to our clients (for the investment of short-term funds as well as margin loans) which are sensitive to changes in interest rates. Given the relationship of our interest-sensitive assets to liabilities, increases in short-term interest rates generally result in an overall increase in our net earnings. While the Federal Reserve increased short-term interest rates during that period, market deposit rates paid on client cash balances were not impacted to as great a degree, resulting in an increase in fees the Company earned from FDIC insured deposits of clients offered by the Company.

During the last two years, the Federal Reserve reduced short-term interest rates resulting in a decrease in fees the Company earned from FDIC insured deposits of clients through a program offered by the Company. Decreases in short-term interest rates, increases in deposit rates paid to clients, and/or a significant decline in our clients' cash balances have a negative impact on our earnings. The Federal Reserve reduced its benchmark rate significantly during two separate unscheduled meetings in March 2020 by a total of 1.50%. Accordingly, the Company's earnings during the full year of 2020 were negatively impacted by such decreases. Recently, clients' domestic cash sweep balances have increased to levels that we have not seen since around April 2017. The impact of low interest rates will continue to be significant for the foreseeable future as the Federal Reserve has stated that these lower rates are likely to persist for the next several years.

**CORONAVIRUS DISEASE 2019 ("COVID-19 PANDEMIC")**

The Company continues to monitor the effects of the COVID-19 Pandemic both on a national level as well as regionally and locally and is responding accordingly. In addition, we continue to provide frequent communications to clients, employees, and regulators. We have adopted enhanced cleaning practices and other health protocols in our offices, taken measures to significantly restrict non-essential business travel and have practices in place to mandate that employees who may have been exposed to COVID-19, or show any relevant symptoms, self-quarantine. In early March 2020, the Company executed on its Business Continuity Plan whereby the vast majority of our employees began to work remotely with only "essential" employees reporting to our offices. We accomplished this by significantly expanding the use of technology infrastructure that facilitates remote operations. Our ability to avoid significant business disruptions is reliant on the continued ability to have the vast majority of employees work remotely. To date, there have been no significant disruptions to our business or control processes as a result of this dispersion of employees. Recent outbreaks in various states indicate that COVID-19 will continue to impact the economy and, by extension, our business, well into 2021. We currently anticipate that a large number of our employees will continue to work remotely for the indefinite future until vaccinations are more widely administered.

**EXECUTIVE SUMMARY**

The results for the fourth quarter and full year 2020 were outstanding and really showcased the strength of the platform and the dedication and commitment from our employees throughout this COVID-19 impacted year. The combination of a low interest rate environment, high volatility, and a robust rally in equities over the last nine months provided the impetus for extremely favorable results for the year. Our Capital Markets business continued to outperform with a record quarter and year for revenue and earnings, while the Wealth Management business continued to produce solid operating returns based on increased commission activity and higher fee income from assets under management. The Wealth Management business got a significant boost from the record performance of the hedge funds that we sponsor which led to an increase in incentive fees from alternative investments in the fourth quarter of 2020 which are measured and earned at the end of each year.

Investment banking had its best quarter ever as the firm increased its market share during a robust period for equities issuance in the U.S. capital markets. M&A activity also picked up significantly during the fourth quarter with several notable advisory and placement fees. Equities and fixed income sales and trading activity continued to be brisk as volatility remained elevated during the period. The broader equities markets finished the year at record levels and were up 11.7% during the fourth quarter contributing to record assets under management at December 31, 2020, which will drive our advisory fee revenue for the first quarter of 2021.

Non-compensation expenses remained under close control and we were able to manage our operating environment throughout this year of remote work. At year-end we continued to operate with about 90% of our employees working from home amid the increase in the reported infection rate from COVID-19. We look forward to the return to some level of normalcy by the third quarter of 2021 as the rate of vaccination increases in the U.S. and around the world.

## RESULTS OF OPERATIONS

The following table and discussion summarizes the changes in the major revenue and expense categories for the past three years:

*(Expressed in thousands)*

| | For the Years Ended December 31, | | | For the Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | % Change | 2019 | 2018 | % Change |
| **REVENUE** | | | | | | |
| Commissions | $ 395,097 | $ 320,114 | 23.4 | $ 320,114 | $ 329,668 | (2.9) |
| Advisory fees | 455,261 | 353,671 | 28.7 | 353,671 | 314,349 | 12.5 |
| Investment banking | 222,298 | 126,211 | 76.1 | 126,211 | 115,353 | 9.4 |
| Bank deposit sweep income | 34,829 | 117,422 | (70.3) | 117,422 | 116,052 | 1.2 |
| Interest | 33,477 | 50,723 | (34.0) | 50,723 | 52,484 | (3.4) |
| Principal transactions, net | 27,874 | 30,094 | (7.4) | 30,094 | 14,461 | 108.1 |
| Other | 29,831 | 35,144 | (15.1) | 35,144 | 15,787 | 122.6 |
| Total revenue | 1,198,667 | 1,033,379 | 16.0 | 1,033,379 | 958,154 | 7.9 |
| **EXPENSES** | | | | | | |
| Compensation and related expenses | 770,997 | 657,714 | 17.2 | 657,714 | 607,192 | 8.3 |
| Communications and technology | 82,132 | 81,588 | 0.7 | 81,588 | 74,479 | 9.5 |
| Occupancy and equipment costs | 62,352 | 62,198 | 0.2 | 62,198 | 61,171 | 1.7 |
| Clearing and exchange fees | 22,978 | 21,962 | 4.6 | 21,962 | 22,985 | (4.5) |
| Interest | 15,680 | 45,687 | (65.7) | 45,687 | 46,396 | (1.5) |
| Other | 75,528 | 89,318 | (15.4) | 89,318 | 101,062 | (11.6) |
| Total expenses | 1,029,667 | 958,467 | 7.4 | 958,467 | 913,285 | 4.9 |
| Pre-tax income | 169,000 | 74,912 | 125.6 | 74,912 | 44,869 | 67.0 |
| Income taxes | 46,014 | 21,959 | 109.5 | 21,959 | 15,977 | 37.4 |
| **Net Income** | $ 122,986 | $ 52,953 | 132.3 | $ 52,953 | $ 28,892 | 83.3 |

### Fiscal 2020 compared to Fiscal 2019

**Revenue**

- Commission revenue was $395.1 million for the year ended December 31, 2020, an increase of 23.4% compared with $320.1 million for the year ended December 31, 2019 as a result of increased volatility and client participation in active equities-related markets.
- Advisory fees were $455.3 million for the year ended December 31, 2020, an increase of 28.7% compared with $353.7 million for the year ended December 31, 2019 due to higher management fees and incentive fees from alternative investments.
- Investment banking revenue was $222.3 million for the year ended December 31, 2020, an increase of 76.1% compared with $126.2 million for the year ended December 31, 2019 due to significantly higher underwriting revenues from equities transactions and increased M&A activity later in the year.
- Bank deposit sweep income was $34.8 million for the year ended December 31, 2020, a decrease of 70.3% compared with $117.4 million for the year ended December 31, 2019 due to lower short-term interest rates partially offset by higher average cash sweep balances.
- Interest revenue was $33.5 million for the year ended December 31, 2020, a decrease of 34.0% compared with $50.7 million in 2019 due to lower short-term interest rates partially offset by higher average margin balances.
- Principal transactions revenue was $27.9 million for the year ended December 31, 2020, a decrease of 7.4% compared with $30.1 million for the year ended December 31, 2019 as a result of lower client involvement in markets during the early months of the COVID pandemic.

- Other revenue was $29.8 million for the year ended December 31, 2020, a decrease of 15.1% compared to $35.1 million for the year ended December 31, 2019 primarily due to a decrease in the cash surrender value of Company-owned life insurance during 2020.

**Expenses**

- Compensation and related expenses totaled $771.0 million during the year ended December 31, 2020, an increase of 17.2% compared with the year ended December 31, 2019. The increase was due to increased production and incentive compensation tied to increases in revenue during the year ended December 31, 2020. Compensation and related expenses as a percentage of revenue was 64.3% for the year ended December 31, 2020 compared with 63.6% for the year ended December 31, 2019.
- Non-compensation expenses were $258.7 million during the year ended December 31, 2020, a decrease of 14.0% compared with $300.8 million during the year ended December 31, 2019 due to decreased interest costs, lower legal and regulatory costs and reduced costs associated with business travel and entertainment and conferences during the year ended December 31, 2020.
- The effective income tax rate for the year ended December 31, 2020 was 27.2% compared with 29.3% for the year ended December 31, 2019. The lower effective tax rate for 2020 was primarily due to lower state and local income taxes, valuation allowance on foreign operations and other non-deductible expenses over higher pre-tax income in the current year compared to 2019.

**Fiscal 2019 compared to Fiscal 2018**

**Revenue**

- Commission revenue was $320.1 million for the year ended December 31, 2019, a decrease of 2.9% compared with $329.7 million for the year ended December 31, 2018.
- Advisory fees were $353.7 million for the year ended December 31, 2019, an increase of 12.5% compared with $314.3 million for the year ended December 31, 2018 due to an increase in incentive fees earned from alternative investments during the fourth quarter of 2019.
- Investment banking revenue was $126.2 million for the year ended December 31, 2019, an increase of 9.4% compared with $115.4 million for the year ended December 31, 2018 due to higher merger and acquisition advisory fees offset by lower equities underwriting revenue during the 2019 year.
- Bank deposit sweep income was $117.4 million for the year ended December 31, 2019, an increase of 1.2% compared with $116.1 million for the year ended December 31, 2018.
- Interest revenue was $50.7 million for the year ended December 31, 2019, a decrease of 3.4% compared with $52.5 million in 2018.
- Principal transactions revenue was $30.1 million for the year ended December 31, 2019, an increase of 108.1% compared with $14.5 million for the year ended December 31, 2018. During the third quarter of 2018, the Company participated in tender offers by issuers of ARS which resulted in recognized losses totaling $8.1 million. The recognized losses were comprised of realized losses of $4.6 million related to tendering ARS holdings at prices below par and unrealized losses of $3.5 million related to revaluing the remaining affected ARS owned and commitments to purchase at the tender offer prices. Additionally, the increase was due to higher trading profits in fixed income during the 2019 year.
- Other revenue was $35.1 million for the year ended December 31, 2019, an increase of 122.6% compared to $15.8 million for the year ended December 31, 2018 primarily due to an increase in the cash surrender value of Company-owned life insurance during 2019.

**Expenses**

- Compensation and related expenses totaled $657.7 million during the year ended December 31, 2019, an increase of 8.3% compared with the year ended December 31, 2018. The increase was due to higher salaries, producer, incentive, share-based, and deferred compensation expenses during the year ended December 31, 2019. The Company recorded compensation and related expenses of $3.7 million related to its OARs Plan during the year ended December 31, 2019 compared with $0.7 million during the year ended December 31, 2018. Compensation and related expenses as a percentage of revenue was 63.6% for the year ended December 31, 2019 compared with 63.4% for the year ended December 31, 2018.
- Non-compensation expenses were $300.8 million during the year ended December 31, 2019, a decrease of 1.7% compared with $306.1 million during the year ended December 31, 2018 due primarily to lower legal and regulatory costs partially offset by higher communication and technology costs and underwriting deal-related costs during the year ended December 31, 2019.
- The effective income tax rate for the year ended December 31, 2019 was 29.3% compared with 35.6% for the year ended December 31, 2018. The elevated effective tax rate for the year ended December 31, 2018 was partially due to the establishment of a valuation allowance for the deferred tax asset related to net operating losses of the Company's operations in Europe.

**BUSINESS SEGMENTS**

The table below presents information about the reported revenue and pre-tax income (loss) of the Company's reportable business segments for the three months and year ended December 31, 2020 and 2019:

| *(Expressed in thousands)* | For the Three Months Ended December 31, | | | For the Years Ended December 31, | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | % Change | 2020 | 2019 | % Change |
| **Revenue** | | | | | | |
| Private Client | $ 217,743 | $ 175,900 | 23.8 | $ 642,083 | $ 653,409 | (1.7) |
| Asset Management | 72,851 | 35,179 | 107.1 | 130,274 | 88,755 | 46.8 |
| Capital Markets | 131,651 | 83,982 | 56.8 | 426,752 | 290,830 | 46.7 |
| Corporate/Other | 663 | 820 | (19.1) | (442) | 385 | * |
| Total | 422,908 | 295,881 | 42.9 | 1,198,667 | 1,033,379 | 16.0 |
| **Pre-Tax Income (Loss)** | | | | | | |
| Private Client | 39,362 | 42,416 | (7.2) | 122,844 | 163,917 | (25.1) |
| Asset Management | 56,911 | 19,114 | 197.7 | 71,625 | 31,606 | 126.6 |
| Capital Markets | 41,894 | (2,891) | * | 83,442 | (13,724) | * |
| Corporate/Other | (24,372) | (23,666) | (3.0) | (108,911) | (106,887) | (1.9) |
| Total | $ 113,795 | $ 34,973 | 225.4 | $ 169,000 | $ 74,912 | 125.6 |

** Percentage not meaningful*

**Private Client**

Private Client reported revenue of $642.1 million for the year ended December 31, 2020, 1.7% lower compared with a year ago. Pre-tax income of $122.8 million in the year end resulted in a pre-tax profit margin of 19.1%. Financial advisor headcount declined amid increased retirements to 1,002 at the end of 2020 compared to 1,032 at the end of 2019, although the productivity of our financial advisors increased significantly reflecting higher individual production levels.

*(Expressed in thousands, except financial advisor headcount or otherwise indicated)*

| | For the Years Ended December 31, | | | | |
|---|---|---|---|---|---|
| | | 2020 | | 2019 | % Change |
| **Revenue** | $ | **642,083** | $ | **653,409** | **(1.7)** |
| Commissions | | 209,447 | | 188,690 | 11.0 |
| Advisory fees | | 326,858 | | 264,839 | 23.4 |
| Bank deposit sweep income | | 34,829 | | 117,422 | (70.3) |
| Interest | | 25,148 | | 35,811 | (29.8) |
| Other | | 45,801 | | 46,647 | (1.8) |
| | | | | | |
| **Total Expenses** | $ | **519,239** | $ | **489,492** | **6.1** |
| Compensation | | 412,021 | | 362,665 | 13.6 |
| Non-compensation | | 107,218 | | 126,827 | (15.5) |
| | | | | | |
| **CAUA (billions)** | $ | **104.8** | $ | **91.0** | **15.2** |
| **Cash Sweep Balances (billions)** | $ | **7.3** | $ | **4.9** | **49.0** |
| **Financial Advisor Headcount** | | **1,002** | | **1,032** | **(2.9)** |

- Retail commissions were $209.4 million for the year ended December 31, 2020, an increase of 11.0% from a year ago as a result of increased volatility and client participation in active equities-related markets including options.
- Advisory fees increased 23.4% due to increases in management fees from advisory programs and incentive fees from alternative investments during the year. Incentive fees allocated to this segment were $61.7 million for the current year versus $20.8 million last year.
- Bank deposit sweep income decreased 70.3% from a year ago due to lower short-term interest rates partially offset by higher average cash sweep balances.
- Interest revenue declined 29.8% from a year ago due to lower short-term interest rates partially offset by higher average margin balances.
- Other revenue decreased 1.8% primarily due to decreases in the cash surrender value of Company-owned life insurance policies.
- Compensation expenses increased 13.6% primarily due to increased production and share-based compensation costs partially offset by lower deferred compensation.
- Non-compensation expenses decreased 15.5% primarily due to lower interest, legal and regulatory costs as well as travel and entertainment costs.

### Asset Management

Asset Management reported revenue of $130.3 million for the year ended December 31, 2020, 46.8% higher compared with a year ago. Pre-tax income was $71.6 million, an increase of 126.6% compared with a year ago.

| *(Expressed in thousands, unless otherwise indicated)* | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Change |
| **Revenue** | **$ 130,274** | **$ 88,755** | **46.8** |
| Advisory fee revenue | 128,258 | 88,748 | 44.5 |
| Other | 2,016 | 7 | 28,700.0 |
| **Total Expenses** | **$ 58,649** | **$ 57,149** | **2.6** |
| Compensation | 25,128 | 25,180 | (0.2) |
| Non-compensation | 33,521 | 31,969 | 4.9 |
| **AUM (billions)** | **$ 38.8** | **$ 32.1** | **20.9** |

- Advisory fee revenue on traditional and alternative managed products was $130.3 million for the year ended December 31, 2020, an increase of 44.5% due to higher assets under management during the year as well as higher incentive fees from alternative investments. Incentive fees allocated to this segment were $49.4 million for the 2020 year versus $16.7 million last year.
- AUM hit a record level of $38.8 billion at December 31, 2020, which is the basis for advisory fee billings for the first quarter of 2021. The increase in AUM was comprised of higher asset values of $6.0 billion on existing client holdings and a net contribution of assets of $0.7 billion.
- Compensation expenses were down 0.2% and non-compensation expenses were up 4.9% when compared to the prior year.

The following table provides a breakdown of the change in assets under management for the year ended December 31, 2020:

| *(Expressed in millions)* | For the Year Ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| Fund Type | Beginning Balance | Contributions | Redemptions | Appreciation (Depreciation) | Ending Balance |
| Traditional [1] | $ 27,454 | $ 6,327 | $ (5,955) | $ 3,923 | $ 31,749 |
| Institutional Fixed Income [2] | 771 | 67 | (83) | 43 | 798 |
| Alternative Investments: | | | | | |
| Hedge funds [3] | 3,190 | 615 | (330) | 1,974 | 5,449 |
| Private Equity Funds [4] | 284 | 82 | (42) | 111 | 435 |
| Portfolio Enhancement Program [5] | 414 | 14 | (32) | — | 396 |
| | $ 32,113 | $ 7,105 | $ (6,442) | $ 6,051 | $ 38,827 |

(1) Traditional investments include third party advisory programs, Oppenheimer financial advisor 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 $426.8 million for 2020, 46.7% higher compared with a year ago. Pre-Tax income was $83.4 million compared with a pre-tax loss of $13.7 million a year ago.

| *(Expressed in thousands)* | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | % Change |
| **Revenue** | **$ 426,752** | **$ 290,830** | **46.7** |
| | | | |
| **Investment Banking** | **$ 206,098** | **$ 113,369** | **81.8** |
| Advisory fees | 80,534 | 53,424 | 50.7 |
| Equities underwriting | 103,276 | 40,813 | 153.0 |
| Fixed income underwriting | 20,394 | 18,447 | 10.6 |
| Other | 1,894 | 685 | 176.5 |
| | | | |
| **Sales and Trading** | **$ 217,711** | **$ 175,616** | **24.0** |
| Equities | 130,668 | 99,848 | 30.9 |
| Fixed income | 87,043 | 75,768 | 14.9 |
| | | | |
| **Other** | **$ 2,943** | **$ 1,845** | **59.5** |
| | | | |
| **Total Expenses** | **$ 343,310** | **$ 304,554** | **12.7** |
| Compensation | 251,697 | 193,861 | 29.8 |
| Non-compensation | 91,613 | 110,693 | (17.2) |

- Advisory fees earned from investment banking activities increased 50.7% to $80.5 million for the year ended December 31, 2020 compared with $53.4 million for the year ended December 31, 2019 driven by increased M&A activity and fees associated with a significant number of capital raising transactions (PIPES) in the healthcare and technology sectors completed during the year.
- Equities underwriting fees increased 153.0% to $103.3 million for the year ended December 31, 2020 compared with $40.8 million for the year ended December 31, 2019 due to significantly higher levels of capital issuances in the equity markets particularly in healthcare and technology sectors.
- Fixed income underwriting fees increased 10.6% to $87.0 million for the year ended December 31, 2020 compared with $75.8 million for the year ended December 31, 2019 primarily driven by public finance issuances during the year, partially offset by lower underwriting fees in emerging markets.
- Equities sales and trading increased to $130.7 million for the year ended December 31, 2020, 30.9% higher compared to $99.8 million for the year ended December 31, 2019 due to elevated volatility in the equities markets during the year.
- Fixed income sales and trading increased 14.9% driven by robust trading in taxable fixed income during the year.
- Compensation expenses increased 29.8% primarily due to increased production and incentive compensation tied to increases in revenue.
- Non-compensation expenses were 17.2% lower due to decreased interest costs and reduced costs associated with business travel and entertainment and conferences.

## Critical Accounting Policies

The Company's accounting policies are essential to understanding and interpreting the financial results reported on the consolidated financial statements. The significant accounting policies used in the preparation of the Company's consolidated financial statements are summarized in note 2 to those statements. 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. The following is a discussion of these policies:

### *Fair Value Measurements*

The accounting guidance for the fair value measurement of financial assets, defines fair value, establishes a framework for measuring fair value, establishes a fair value measurement hierarchy, and expands fair value measurement disclosures. Fair value, as defined by the accounting guidance, is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy established by this accounting guidance prioritizes the inputs used in valuation techniques into the following three categories (highest to lowest priority):

**Level 1:** Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and

**Level 3:** Unobservable inputs that are significant to the overall fair value measurement.

The Company's financial instruments that are recorded at fair value generally are classified within Level 1 or Level 2 within the fair value hierarchy using quoted market prices or quotes from market makers or broker-dealers. Financial instruments classified within Level 1 are valued based on quoted market prices in active markets and consist of U.S. Treasury and Agency securities, corporate equities, and certain money market instruments. Level 2 financial instruments primarily consist of investment grade and high-yield corporate debt, convertible bonds, mortgage and asset-backed securities, and municipal obligations. Financial instruments classified as Level 2 are valued based on quoted prices for similar assets and liabilities in active markets and quoted prices for identical or similar assets and liabilities in markets that are not active. Financial instruments are classified as Level 3 if observable pricing inputs are not available due to limited market activity for the asset or liability. As of December 31, 2020 the Company had $30.7 million in financial instruments, comprised of auction rate securities, classified within Level 3 of the fair value hierarchy.

### *Legal and Regulatory Reserves*

The Company records reserves related to legal and regulatory proceedings in accounts payable and other liabilities. The determination of the amounts of these reserves requires significant judgment on the part of management. In accordance with applicable accounting guidance, the Company establishes reserves for litigation and regulatory matters where available information indicates that it is probable a liability had been incurred at the date of the consolidated financial statements and the Company can reasonably estimate the amount of that loss. When loss contingencies are not probable or cannot be reasonably estimated, the Company does not establish reserves.

When determining whether to record a reserve, management considers many factors including, but not limited to, the amount of the claim; the stage and forum of the proceeding, the sophistication of the claimant, the amount of the loss, if any, in the client's account and the possibility of wrongdoing, if any, on the part of an employee of the Company; the basis and validity of the claim; previous results in similar cases; and applicable legal precedents and case law. Each legal and regulatory proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Any change in the reserve amount is recorded in the results of that period. The assumptions of management in determining the estimates of reserves may be incorrect and the actual disposition of a legal or regulatory proceeding could be greater or less than the reserve amount.

***Leases***

In the first quarter of 2019, the Company adopted ASU 2016-02, "Leases". The Accounting Standards Update ("ASU") requires the recognition of right-of use ("ROU") assets and lease liabilities on the consolidated balance sheet by lessees for those leases classified as operating leases under previous guidance.

ROU assets and lease liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term, excluding non-base rent components such as fixed common area maintenance costs and other fixed costs such as real estate taxes and insurance. The discount rates used in determining the present value of leases are the Company's incremental borrowing rates, developed based upon each lease's term. The lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. For operating leases, the ROU assets also include any prepaid lease payments and initial direct costs incurred and are reduced by lease incentives. For these leases, lease expense is recognized on a straight-line basis over the lease term if the ROU asset has not been impaired or abandoned.

***Goodwill***

The Company defines a reporting unit as an operating segment. The Company's goodwill resides in its Private Client Division ("PCD") reporting unit. Goodwill of a reporting unit is subject to at least an annual test for impairment to determine if the estimated fair value of a reporting unit is less than its carrying amount. Goodwill of a reporting unit is required to be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Due to the volatility in the financial services sector and equity markets in general, determining whether an impairment of goodwill has occurred is increasingly difficult and requires management to exercise significant judgment. The Company's annual goodwill impairment analysis performed at December 31, 2020 applied the same valuation methodologies with consistent inputs as that performed at December 31, 2019, as follows:

In estimating the fair value of the PCD reporting unit, the Company uses traditional standard valuation methods, including the market comparable approach and income approach. The market comparable approach is based on comparisons of the subject company to public companies whose stocks are actively traded ("Price Multiples") or to similar companies engaged in an actual merger or acquisition ("Precedent Transactions"). As part of this process, multiples of value relative to financial variables, such as earnings or stockholders' equity, are developed and applied to the appropriate financial variables of the subject company to indicate its value. The income approach involves estimating the present value of the subject company's future cash flows by using projections of the cash flows that the business is expected to generate, and discounting these cash flows at a given rate of return ("Discounted Cash Flow" or "DCF"). Each of these standard valuation methodologies requires the use of management estimates and assumptions.

In its Price Multiples valuation analysis, the Company uses various operating metrics of comparable companies, including revenues, after-tax earnings, EBITDA as well as price-to-book value ratios at a point in time. The Company analyzes prices paid in Precedent Transactions that are comparable to the business conducted in the PCD. The DCF analysis includes the Company's assumptions regarding discount rate, and growth rates of the PCD's revenues, expenses, EBITDA, and capital expenditures, adjusted for current economic conditions and expectations. The Company weighs each of the three valuation methods equally in its overall valuation. Given the subjectivity involved in selecting which valuation method to use, the corresponding weightings, and the input variables for use in the analyses, it is possible that a different valuation model and the selection of different input variables could produce a materially different estimate of the fair value of the PCD reporting unit.

At each annual goodwill impairment testing date, the PCD reporting unit had a fair value that was substantially in excess of its carrying value. See note 19 to the consolidated financial statements appearing in Item 8 for further discussion.

***Intangible Assets***

Indefinite intangible assets are comprised of trademarks, trade names and an Internet domain name. These intangible assets carried at $32.1 million, which are not amortized, are subject to at least an annual test for impairment to determine if the estimated fair value is less than their carrying amount. The fair value of the trademarks and trade names was substantially in excess of its carrying value at December 31, 2020. See note 19 to the consolidated financial statements appearing in Item 8 for further discussion.

### *Income Taxes*

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and the results of recent operations.

The Company records uncertain tax positions in accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Income Taxes" on the basis of a two-step process whereby it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and, for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company records interest and penalties accruing on unrecognized tax benefits in income (loss) before income taxes as interest expense and other expense, respectively, in its consolidated income statements.

The Company permanently reinvests eligible earnings of its foreign subsidiaries and, accordingly, does not accrue any U.S. income taxes that would arise if such earnings were repatriated.

### New Accounting Pronouncements

Recently issued accounting pronouncements are described in note 2 to the consolidated financial statements appearing in Item 8.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2020, total assets increased by 10.1% from December 31, 2019. 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 5.50% Senior Secured Notes due 2025 (see "Senior Secured Notes" 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 December 31, 2020, the Company had $82.0 million of such borrowings outstanding compared to outstanding borrowings of $0 million at December 31, 2019. 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 $4.3 million and $386,917, respectively, at December 31, 2020. The liquid assets at Oppenheimer Europe Ltd. are primarily comprised of cash deposits in bank accounts.

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 $3.5 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. 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. The Company has begun assessing the impact that the new presidential administration’s tax proposals will have on its operations and cash flows.

***Senior Secured Notes***

On September 22, 2020, in a private offering, we issued $125.0 million aggregate principal amount of 5.50% Senior Secured Notes due 2025 (the "Unregistered Notes") under an Indenture at an issue price of 100% of the principal amount. Interest on the Unregistered Notes is payable semi-annually on April 1st and October 1st. We used the net proceeds from the offering of the Unregistered Notes, along with cash on hand, to redeem in full our 6.75% Senior Secured Notes due July 1, 2022 in the principal amount of $150.0 million (the Company held $1.4 million in treasury for a net outstanding amount of $148.6 million), and pay all related fees and expenses related thereto. On November 23, 2020, we completed an exchange offer in which we exchanged 99.8% of our 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. See note 12 to the consolidated financial statements appearing in Item 1 for further discussion.

The Notes are jointly and severally and fully and unconditionally guaranteed on a senior secured 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 12.

The guarantees are senior secured obligations of each guarantor. The guarantees rank:

- effectively senior in right of payment to all unsecured and unsubordinated obligations of such guarantor, to the extent of the value of the collateral owned by such guarantor (and, to the extent of any unsecured remainder after payment of the value of the collateral, rank equally in right of payment with such unsecured and unsubordinated indebtedness of such guarantor); and
- senior in right of payment to any subordinated debt of the such guarantor;
- secured on a first-priority basis by the collateral, subject to certain exceptions and permitted liens, and it is intended that pari passu lien indebtedness, if any, will be secured on an equal and ratable basis.

Each subsidiary guarantee is limited so that it does not constitute a fraudulent conveyance under applicable law, which may reduce the subsidiary’s obligation under the guarantee. There are no externally imposed restrictions on transfers of assets between the Company and its subsidiaries.

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.

The following tables present results of operations for the twelve months ended December 31, 2020 and balance sheet at December 31, 2020 for the Parent and Guarantors.

| *(Expressed in thousands)* | As of December 31, 2020 |
|---|---|
| Total Assets | $ 1,687,909 |
| Due From Non-Guarantor Subsidiary | 12,971 |
| Total Liabilities | 460,465 |
| Due To Non-guarantor Subsidiary | 780 |
| | |
| | For the Year Ended December 31, 2020 |
| Total Revenue | $ 10,359 |
| Pre-Tax Income (Loss) | (7,029) |
| Net Income (Loss) | (4,922) |

On September 14, 2020, S&P affirmed the Company's 'B+' Corporate Family rating and 'B+' rating on the Unregistered Notes and affirmed its stable outlook. On September 21, 2020, Moody's Corporation affirmed the Company's Corporate Family ‘B1’ rating and affirmed its 'B1' rating on the Unregistered Notes and 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 $14.8 million in forgivable notes (which are inherently illiquid) to employees for the year ended December 31, 2020 ($13.7 million for the year ended December 31, 2019) as upfront or backend inducements to commence or continue employment as the case may be. 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 December 31, 2020, bank call loans were $82.0 million ($0.0 million at December 31, 2019). The average daily bank loan outstanding for the year ended December 31, 2020 was $82.8 million ($11.1 million for the year ended December 31, 2019). The largest daily bank loan outstanding for the year ended December 31, 2020 was $324.3 million ($516.5 million for the year ended December 31, 2019).

At December 31, 2020, securities loan balances totaled $249.5 million ($234.3 million at December 31, 2019). The average daily securities loan balance for the year ended December 31, 2020 was $238.3 million ($240.7 million for the year ended December 31, 2019). The largest daily stock loan balance for the year ended December 31, 2020 was $317.8 million ($285.5 million for the year ended December 31, 2019).

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 our 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 December 31, 2020, we did not have any repurchase agreements and reverse repurchase agreements that did not settle overnight or have an open settlement date.

At December 31, 2020, the gross balances of reverse repurchase agreements and repurchase agreements were $88.3 million and $430.8 million, respectively. The average daily balance of reverse repurchase agreements and repurchase agreements on a gross basis for the year ended December 31, 2020 was $170.7 million and $374.3 million, respectively ($117.5 million and $550.9 million, respectively, for the year ended December 31, 2019). The largest amount of reverse repurchase agreements and repurchase agreements outstanding on a gross basis during the year ended December 31, 2020 was $714.2 million and $803.0 million, respectively ($326.3 million and $890.5 million, respectively, for the year ended December 31, 2019).

At December 31, 2020, the gross leverage ratio was 4.0

***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 have Company-owned life insurance policies which are utilized to fund certain non-qualified deferred compensation plans. Certain policies which could provide additional liquidity if needed had a cash surrender value of $80.8 million as of December 31, 2020.

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 Years Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Cash (used in) provided by operating activities | $ (54,059) | $ 79,142 |
| Cash used in investing activities | (3,941) | (8,304) |
| Cash provided by (used in) financing activities | 13,874 | (81,963) |
| Net decrease in cash and cash equivalents | $ (44,126) | $ (11,125) |

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. Under some circumstances, banks including those on whom we rely may 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.

During the recent period of high volatility, we have seen increased calls for deposits of collateral to offset perceived risk between the Company's settlement liability to industry utilities such as the Options Clearing Corporation (“OCC”) and National Securities Clearing Corp. (“NSCC”) as well as more stringent collateral arrangements with our bank lenders. All such requirements have been met in the ordinary course with available collateral.

### OFF-BALANCE SHEET ARRANGEMENTS

Information concerning our off-balance sheet arrangements is included in note 7 to the consolidated financial statements appearing in Item 8. Such information is hereby incorporated by reference.

### CONTRACTUAL OBLIGATIONS

The following table sets forth the Company's contractual obligations as of December 31, 2020:

| *(Expressed in thousands)* | Total | Less than 1 Year | 1-3 Years | 3-5 Years | More than 5 Years |
|---|---|---|---|---|---|
| Operating Lease Obligations [1][2] | $ 279,424 | $ 42,512 | $ 76,483 | $ 58,891 | $ 101,538 |
| Committed Capital [3] | 41,238 | 40,589 | 649 | — | — |
| Senior Secured Notes [4][5] | 159,547 | 8,766 | 13,750 | 137,031 | — |
| ARS Purchase Commitments [3] | 1,313 | 1,313 | — | — | — |
| Total | $ 481,522 | $ 93,180 | $ 90,882 | $ 195,922 | $ 101,538 |

(1) See note 4 to the consolidated financial statements appearing in Item 8 for additional information.
(2) Includes interest liability of $64.0 million.
(3) Includes commitments to provide bridge financing to a rental services company ($20.0 million), equity financing in a take-private transaction ($20.0 million), and unfunded obligations in private equity funds sponsored by the Company ($1.2 million). See note 17 to the consolidated financial statements appearing in Item 8 for additional information.
(4) See note 12 to the consolidated financial statements appearing in Item 8 for additional information.
(5) Includes interest payable of $34.5 million through maturity.

### CYBERSECURITY

For many years, we have sought to maintain the security of our clients' data, limit access to our data processing environment, and protect our data processing facilities. See "Risk Factors — Cybersecurity – Security breaches of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability and harm our reputation" in Item 1A. 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.

On June 5, 2019, the SEC adopted a final version of this rulemaking package that included the adoption of Regulation Best Interest (“Reg BI”) as Rule 15l-1 under the Exchange Act. Reg BI imposes a new federal standard of conduct on registered broker-dealers and their associated persons when dealing with retail clients and requires that a broker-dealer and its representatives act in the best interest of such client and not place its own interests ahead of the customer’s interests. Reg BI does not define the term “best interest” but instead sets forth four distinct obligations, disclosure, care, conflict of interest and compliance that a broker-dealer must satisfy in each transaction. The effective date for compliance with Reg BI was June 30, 2020. In addition to passing Reg BI the SEC also adopted rules (i) requiring broker-dealers and investment advisers to provide a written relationship summary to each client, and (ii) clarifying certain interpretations under the Advisers Act including but not limited to when a broker-dealer's activity is considered “solely incidental” to its broker-dealer business and is, therefore, not considered investment advisory activity (collectively, the “Reg BI Rules”).

It is too early to predict what all the effects of the Reg BI Rules will have on the Company. However, there is a need for enhanced documentation for recommendations of securities transactions to broker-dealer retail clients as well as the cessation of certain practices as well as limitations on certain kinds of transactions previously conducted in the normal course of business. The new rules and processes related thereto may limit revenue and most likely will involve increased costs, including, but not limited to, compliance costs associated with new or enhanced technology as well as increased litigation costs.

The Company has reviewed its business practices and operating models in light of the Reg BI Rules and has made significant structural, technological and operational changes to our business leading up to the effective date of June 30, 2020 for compliance with the Reg BI Rules. As a result, the Company conducted significant training of all its employees with respect to the requirements of Reg BI and made each of the required mailings (both electronic and conventional) prior to the effective date. The Company believes that the changes made to its business processes will result in compliance with these new requirements. As business is conducted under the Reg BI Rules, it is likely that additional changes may be necessary.

***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” herein for additional information.

Oppenheimer and many of its affiliates are each subject to various regulatory capital requirements. As of December 31, 2020, all of our active regulated domestic and international subsidiaries had net capital in excess of minimum requirements. See note 18 of the Notes to Consolidated Financial Statements in Item 8 for further information on regulatory capital requirements.

**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: (i) transaction volume in the securities markets, (ii) the volatility of the securities markets, (iii) fluctuations in interest rates, (iv) changes in regulatory requirements that could affect the cost and method of doing business, (v) general economic conditions, both domestic and international, (vi) competition from existing financial institutions, new entrants and other participants in the securities markets and financial services industry, (vii) potential cybersecurity threats, (viii) legal developments affecting the litigation experience of the securities industry and the Company, (ix) changes in foreign, federal and state tax laws that could affect the popularity of products sold by the Company or impose taxes on securities transactions, (x) the adoption and implementation of the SEC’s “Regulation Best Interest” and other regulations adopted in recent years, (xi) war, terrorist acts and nuclear confrontation as well as political unrest, (xii) the Company’s ability to achieve its business plan, (xiii) the effects of the economy on the Company’s ability to find and maintain financing options and liquidity, (xiv) credit, operational, legal and regulatory risks, (xv) risks related to foreign operations, including those in the United Kingdom which may be affected by Britain’s January 2020 exit from the EU(“Brexit”), (xvi) the effect of technological innovation on the financial services industry and securities business, (xvii) risks related to election results, Congressional gridlock, political and social unrest, government shutdowns and investigations, trade wars, changes in or uncertainty surrounding regulation and threats of default by the Federal government, (xviii) risks related to changes in capital requirements under international standards that may cause banks to back away from providing funding to the securities industry, and (xviv) risks related to the severity and duration of the COVID-19 pandemic; the pandemic’s impact on the U.S. and global economies; and Federal, state and local governmental responses to the pandemic. There can be no assurance that the Company has correctly or completely identified and assessed all of the factors affecting the Company's business. See “Risk Factors” in Part I, Item 1A.

## Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Risk Management

The Company's principal business activities by their nature involve significant market, credit and other risks. The Company's effectiveness in managing these risks is critical to its success and stability.

As part of its normal business operations, the Company engages in the trading of both fixed income and equity securities in both a proprietary and market-making capacity. The Company makes markets in over-the-counter equities in order to facilitate order flow and accommodate its institutional and retail customers. The Company also makes markets in municipal bonds, mortgage-backed securities, government bonds and high yield bonds and short term fixed income securities and loans issued by various corporations.

*Market Risk*. Market risk generally means the risk of loss that may result from the potential change in the value of a financial instrument as a result of fluctuations in interest and currency exchange rates and in equity and commodity prices. Market risk is inherent in all types of financial instruments, including both derivatives and non-derivatives. The Company's exposure to market risk arises from its role as a financial intermediary for its customers' transactions and from its proprietary trading and arbitrage activities.

Oppenheimer monitors market risks through daily profit and loss statements and position reports. Each trading department adheres to internal position limits determined by the Market Risk Committee and regularly reviews the age and composition of its proprietary accounts. Positions and profits and losses for each trading department are reported to senior management on a daily basis.

In its market-making activities, Oppenheimer must provide liquidity in the equities for which it makes markets. As a result of this, Oppenheimer has risk containment policies in place, which limit position size and monitor transactions on a minute-to-minute basis.

*Credit Risk.* Credit risk represents the loss that the Company would incur if a client, counterparty or issuer of securities or other instruments held by the Company fails to perform its contractual obligations. The Company follows industry practice to reduce credit risk related to various investing and financing activities by obtaining and maintaining collateral wherever possible. The Company adjusts margin requirements if it believes the risk exposure is not appropriate based on market conditions. When Oppenheimer advances funds or securities to a counterparty in a principal transaction or to a customer in a brokered transaction, it is subject to the risk that the counterparty or customer will not repay such advances. If the market price of the securities purchased or loaned has declined or increased, respectively, Oppenheimer may be unable to recover some or all of the value of the amount advanced. A similar risk is also present where a customer is unable to respond to a margin call and the market price of the collateral has dropped. In addition, Oppenheimer's securities positions are subject to fluctuations in market value and liquidity.

In addition to monitoring the credit-worthiness of its customers and counterparties, Oppenheimer imposes more conservative margin requirements than those of the FINRA Rule 4210. Generally, Oppenheimer limits customer loans to an amount not greater than 65% of the value of the securities (or lower if the securities in the account are concentrated in a limited number of issues). Particular attention and more restrictive requirements are placed on more highly volatile securities traded in the NASDAQ market. In comparison, the FINRA Rule 4210 permits loans of up to 75% of the value of the equity securities in a customer's account. Further discussion of credit risk appears in note 8 to the Company's consolidated financial statements appearing in Item 8.

*Operational Risk.* Operational risk generally refers to the risk of loss resulting from the Company's operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in its operating systems, business disruptions and inadequacies or breaches in its internal control processes. The Company operates in diverse markets and it is reliant on the ability of its employees and systems to process high numbers of transactions often within short time frames. In the event of a breakdown or improper operation of systems, human error or improper action by employees, the Company could suffer financial loss, regulatory sanctions or damage to its reputation. In order to mitigate and control operational risk, the Company has developed and continues to enhance policies and procedures (including the maintenance of disaster recovery facilities and procedures related thereto) that are designed to identify and manage operational risk at appropriate levels. With respect to its trading activities, the Company has procedures designed to ensure that all transactions are accurately recorded and properly reflected on the Company's books on a timely basis.

With respect to client activities, the Company operates a system of internal controls designed to ensure that transactions and other account activity (new account solicitation, transaction authorization, transaction processing, billing and collection) are properly approved, processed, recorded and reconciled. The Company has procedures designed to assess and monitor counterparty risk.

*Legal and Regulatory Risk*. Legal and regulatory risk includes the risk of non-compliance with applicable legal and regulatory requirements, client claims and the possibility of sizeable adverse legal judgments. The Company is subject to extensive regulation in the different jurisdictions in which it conducts its activities. Regulatory oversight of the securities industry has become increasingly intense over the past several years and the Company, as well as others in the industry, has been directly affected by this increased regulatory scrutiny. Timely and accurate compliance with the increased volume of regulatory requests has become increasingly problematic within the industry, and regulators have tended to bring enforcement proceedings in relation to such matters. See further discussion of these risks in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Regulatory Matters and Developments" in Item 7.

The Company has comprehensive procedures for addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds and securities, granting of credit, collection activities, money laundering, and record keeping. The Company has designated Anti-Money Laundering Compliance Officers who monitor compliance with regulations under the U.S. Patriot Act. See further discussion of the Company's reserve policy in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies" in Item 7, "Legal Proceedings" in Item 3 and "Business — Regulation" in Item 1.

*Off-Balance Sheet Arrangements*. In certain limited instances, the Company utilizes off-balance sheet arrangements to manage risk. See further discussion in note 8 to the consolidated financial statements appearing in Item 8.

*Value-at-Risk*. Value-at-risk is a statistical measure of the potential loss in the fair value of a portfolio due to adverse movements in underlying risk factors. In response to the SEC's market risk disclosure requirements, the Company has performed a value-at-risk analysis of its trading of financial instruments and derivatives. The value-at-risk calculation uses standard statistical techniques to measure the potential loss in fair value based upon a one-day holding period and a 95% confidence level of loss. The calculation is based upon a variance-covariance methodology, which assumes a normal distribution of changes in portfolio value. The forecasts of variances and co-variances used to construct the model for the market factors relevant to the portfolio were generated from historical data. Although value-at-risk models are sophisticated tools, their use can be limited as historical data is not always an accurate predictor of future conditions. The Company attempts to manage its market exposure using other methods, including trading authorization limits and concentration limits.

At December 31, 2020 and 2019, the Company's value-at-risk for each component of market risk was as follows:

| *(Expressed in thousands)* | VAR for Fiscal 2020 | | | VAR for Fiscal 2019 | | |
|---|---|---|---|---|---|---|
| | High | Low | Average | High | Low | Average |
| Equity price risk | $ 729 | $ 48 | $ 473 | $ 62 | $ 41 | $ 48 |
| Interest rate risk | 2,003 | 542 | 1,005 | 1,346 | 750 | 1,086 |
| Commodity price risk | 181 | 46 | 95 | 108 | 80 | 95 |
| Diversification benefit | (253) | (1,058) | (615) | (527) | (770) | (651) |
| Total | $ 2,660 | $ (422) | $ 958 | $ 989 | $ 101 | $ 578 |

| *(Expressed in thousands)* | VAR at December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Equity price risk | $ 48 | $ 62 |
| Interest rate risk | 542 | 994 |
| Commodity price risk | 70 | 105 |
| Diversification benefit | (253) | (546) |
| Total | $ 407 | $ 615 |

The potential future loss presented by the total value-at-risk generally falls within predetermined levels of loss that should not be material to the Company's results of operations, financial condition or cash flows. The changes in the value-at-risk amounts reported in 2020 from those reported in 2019 reflect changes in the size and composition of the Company's trading portfolio at December 31, 2020 compared to December 31, 2019. The Company's portfolio as of December 31, 2020 includes approximately $32.9 million ($18.0 million in 2019) in corporate equities, which are related to deferred compensation liabilities and which do not bear any value-at-risk to the Company. Further discussion of risk management appears in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 1A, "Risk Factors."

The value-at-risk estimate has limitations that should be considered in evaluating the Company's potential future losses based on the year-end portfolio positions. Recent market conditions, including increased volatility, may result in statistical relationships that result in higher value-at-risk than would be estimated from the same portfolio under different market conditions. Likewise, the converse may be true. Critical risk management strategy involves the active management of portfolio levels to reduce market risk. The Company's market risk exposure is continuously monitored as the portfolio risks and market conditions change.

**Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Oppenheimer Holdings Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2020, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the framework established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013. Based on this assessment, management has concluded that the Company's internal control over financial reporting as of December 31, 2020 was effective.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets and provide reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

The Company's internal control over financial reporting as of December 31, 2020 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report included herein, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2020.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Oppenheimer Holdings Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Oppenheimer Holdings Inc. and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated March 1, 2021, expressed an unqualified opinion on those financial statements.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
New York, NY
March 1, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Oppenheimer Holdings Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Oppenheimer Holdings Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Fair Value – Auction Rate Securities – Refer to Note 6 to the Financial Statements**

***Critical Audit Matter Description***

The Company’s auction rate securities (“ARS”) owned, which are $31 million at December 31, 2020, have, for the most part, been subject to issuer tender offers. As a result, the Company has valued the ARS at the tender offer price and categorized them in Level 3 of the fair value hierarchy due to the illiquid nature of the securities. The fair value of ARS is particularly sensitive to movements in interest rates. However, an increase or decrease in short-term interest rates may or may not result in a higher or lower tender offer in the future or the tender offer price may not provide a reasonable estimate of the fair value of the securities. In such cases, other valuation techniques might be necessary.

We identified the valuation of ARS as a critical audit matter because of the judgments by management to determine the fair value of the ARS, using a valuation methodology which relied upon unobservable inputs, mainly consisting of aged tender offers. The evaluation of the Company’s valuation methodology used to estimate the fair value of ARS required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists who possess quantitative analysis and modeling expertise, to audit and evaluate the appropriateness of these fair values.

***How the Critical Audit Matter Was Addressed in the Audit***

Our audit procedures related to the Company's valuation methodology used to estimate the fair value of ARS included the following, among others:

- We tested the effectiveness of controls over the Company's valuation methodology, including those over the determination of the fair value, such as controls related to management's selection of inputs and review of the valuation.

- For ARS held at December 31, 2020, we evaluated the relevancy of the tender offers used in the Company's valuation by agreeing the security details (including CUSIP) to the ARS held by the Company as of December 31, 2020. We also evaluated evidence of the Company's acceptance of the most recent tender offer and the price at which it was tendered.

- Further, we evaluated the reasonableness of the Company's valuation by:

    - For a sample of ARS held at December 31, 2020, developing with the assistance of our fair value specialists independent fair value estimates and comparing our estimates to those determined by the Company.

    - Evaluating whether market and economic events or circumstances, such as the interest rate environment and aging of the tender offer, relating to the ARS occurred since the tender offer which would impact the Company's fair value estimate as of December 31, 2020.

/s/ Deloitte & Touche LLP
New York, NY
March 1, 2021

We have served as the Company's auditor since 2013.

OPPENHEIMER HOLDINGS INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31,

| *(Expressed in thousands, except number of shares and per share amounts)* | 2020 | 2019 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 35,424 | $ 79,550 |
| Deposits with clearing organizations | 83,343 | 48,415 |
| Receivable from brokers, dealers and clearing organizations | 203,494 | 163,293 |
| Receivable from customers, net of allowance for credit losses of $410 ($451 in 2019) | 1,110,835 | 796,934 |
| Income tax receivable | — | 5,170 |
| Securities owned, including amounts pledged of $440,531 ($357,120 in 2019), at fair value | 610,517 | 799,719 |
| Notes receivable, net | 46,161 | 43,670 |
| Furniture, equipment and leasehold improvements, net of accumulated depreciation of $90,958 ($94,773 in 2019) | 27,762 | 31,377 |
| Right-of-use lease assets, net of accumulated amortization of $50,336 ($25,186 in 2019) | 153,502 | 160,297 |
| Intangible assets | 32,100 | 32,100 |
| Goodwill | 137,889 | 137,889 |
| Other assets | 272,876 | 166,341 |
| Total assets | $ 2,713,903 | $ 2,464,755 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| **Liabilities** | | |
| Bank call loans | 82,000 | — |
| Payable to brokers, dealers and clearing organizations | 259,911 | 520,975 |
| Payable to customers | 502,807 | 334,735 |
| Securities sold under agreements to repurchase | 342,438 | 287,265 |
| Securities sold but not yet purchased, at fair value | 126,171 | 100,571 |
| Accrued compensation | 298,263 | 207,358 |
| Accounts payable and other liabilities | 44,791 | 44,725 |
| Income tax payable | 9,726 | — |
| Lease liabilities | 193,373 | 203,140 |
| Senior secured notes, net of debt issuance costs of $1,154 ($485 in 2019) | 123,846 | 149,515 |
| Deferred tax liabilities, net of deferred tax assets of $44,104 ($43,630 in 2019) | 44,909 | 23,749 |
| Total liabilities | 2,028,235 | 1,872,033 |
| Commitments and contingencies (note 17) | | |
| **Stockholders' equity** | | |
| Share capital | | |
| Class A non-voting common stock, par value $0.001 per share, 50,000,000 shares authorized, 12,381,778 and 12,698,703 shares issued and outstanding as of December 31, 2020 and 2019, respectively | 39,200 | 46,424 |
| Class B voting common stock, par value $0.001 per share, 99,665 shares authorized, issued and outstanding | 133 | 133 |
| | 39,333 | 46,557 |
| Contributed capital | 41,481 | 47,406 |
| Retained earnings | 601,406 | 496,998 |
| Accumulated other comprehensive income | 3,448 | 1,761 |
| Total stockholders' equity | 685,668 | 592,722 |
| Total liabilities and stockholders' equity | $ 2,713,903 | $ 2,464,755 |

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

OPPENHEIMER HOLDINGS INC.
CONSOLIDATED INCOME STATEMENTS
FOR THE THREE YEARS ENDED DECEMBER 31,

| *(Expressed in thousands, except number of shares and per share amounts)* | 2020 | 2019 | 2018 |
|---|---|---|---|
| **REVENUE** | | | |
| Commissions | $ 395,097 | $ 320,114 | $ 329,668 |
| Advisory fees | 455,261 | 353,671 | 314,349 |
| Investment banking | 222,298 | 126,211 | 115,353 |
| Bank deposit sweep income | 34,829 | 117,422 | 116,052 |
| Interest | 33,477 | 50,723 | 52,484 |
| Principal transactions, net | 27,874 | 30,094 | 14,461 |
| Other | 29,831 | 35,144 | 15,787 |
| Total revenue | 1,198,667 | 1,033,379 | 958,154 |
| **EXPENSES** | | | |
| Compensation and related expenses | 770,997 | 657,714 | 607,192 |
| Communications and technology | 82,132 | 81,588 | 74,479 |
| Occupancy and equipment costs | 62,352 | 62,198 | 61,171 |
| Clearing and exchange fees | 22,978 | 21,962 | 22,985 |
| Interest | 15,680 | 45,687 | 46,396 |
| Other | 75,528 | 89,318 | 101,062 |
| Total expenses | 1,029,667 | 958,467 | 913,285 |
| Pre-tax income | 169,000 | 74,912 | 44,869 |
| Income taxes | 46,014 | 21,959 | 15,977 |
| **Net income** | $ 122,986 | $ 52,953 | $ 28,892 |
| | | | |
| **Earnings per share** | | | |
| Basic | $ 9.73 | $ 4.10 | $ 2.18 |
| Diluted | 9.30 | $ 3.82 | $ 2.05 |
| | | | |
| **Dividends paid per share** | $ 1.48 | $ 0.46 | $ 0.44 |
| | | | |
| **Weighted average shares** | | | |
| Basic | 12,642,576 | 12,904,397 | 13,248,876 |
| Diluted | 13,217,335 | 13,851,832 | 14,061,369 |

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

OPPENHEIMER HOLDINGS INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE YEARS ENDED DECEMBER 31,

| *(Expressed in thousands)* | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income | $ 122,986 | $ 52,953 | $ 28,892 |
| Other comprehensive income (loss), net of tax | | | |
| Currency translation adjustment | 1,687 | 1,596 | (1,417) |
| Comprehensive income | $ 124,673 | $ 54,549 | $ 27,475 |

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

OPPENHEIMER HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE YEARS ENDED DECEMBER 31,

| *(Expressed in thousands except per share amounts)* | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Share capital** | | | |
| Balance at beginning of year | $ 46,557 | $ 53,392 | $ 58,492 |
| Issuance of Class A non-voting common stock | 7,824 | 1,565 | 794 |
| Repurchase of Class A non-voting common stock for cancellation | (15,048) | (8,400) | (5,894) |
| Balance at end of year | 39,333 | 46,557 | 53,392 |
| **Contributed capital** | | | |
| Balance at beginning of year | 47,406 | 41,776 | 36,546 |
| Share-based expense | 7,683 | 8,128 | 6,061 |
| Vested employee share plan awards | (13,608) | (2,498) | (831) |
| Balance at end of year | 41,481 | 47,406 | 41,776 |
| **Retained earnings** | | | |
| Balance at beginning of year | 496,998 | 449,989 | 426,930 |
| Net income | 122,986 | 52,953 | 28,892 |
| Dividends paid | (18,578) | (5,944) | (5,833) |
| Cumulative-effect adjustment from adoption of new accounting update of employee share-based accounting | — | — | (314) |
| Balance at end of year | 601,406 | 496,998 | 449,989 |
| **Accumulated other comprehensive income** | | | |
| Balance at beginning of year | 1,761 | 165 | 1,582 |
| Currency translation adjustment | 1,687 | 1,596 | (1,417) |
| Balance at end of year | 3,448 | 1,761 | 165 |
| **Total Oppenheimer Holdings Inc. stockholders' equity** | 685,668 | 592,722 | 545,322 |
| **Non-controlling interest** | | | |
| Balance at beginning of year | — | — | 361 |
| Net loss attributable to non-controlling interest, net of tax | — | — | (16) |
| Dividends paid to non-controlling interest | — | — | (345) |
| Balance at end of year | — | — | — |
| **Total stockholders' equity** | $ 685,668 | $ 592,722 | $ 545,322 |
| | | | |
| **Dividends paid per share** | $ 1.48 | $ 0.46 | $ 0.44 |

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

OPPENHEIMER HOLDINGS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE YEARS ENDED DECEMBER 31,

| *(Expressed in thousands)* | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net income | $ 122,986 | $ 52,953 | $ 28,892 |
| Adjustments to reconcile net income to net cash used in operating activities | | | |
| Non-cash items included in net income: | | | |
| Depreciation and amortization of furniture, equipment and leasehold improvements | 8,143 | 7,635 | 6,871 |
| Deferred income taxes | 21,336 | 9,878 | 2,773 |
| Amortization of notes receivable | 11,763 | 12,971 | 12,540 |
| Amortization of debt issuance costs | 206 | 236 | 259 |
| Write-off of debt issuance costs | 341 | 184 | — |
| Provision for (reversal of) credit losses | (41) | (435) | 117 |
| Share-based compensation | 16,220 | 11,819 | 6,710 |
| Amortization of right-of-use lease assets | 25,150 | 25,186 | — |
| Gain on repurchase of senior secured notes | (86) | — | — |
| Decrease (increase) in operating assets: | | | |
| Deposits with clearing organizations | (34,928) | 19,263 | (25,456) |
| Receivable from brokers, dealers and clearing organizations | (40,201) | 3,200 | 20,622 |
| Receivable from customers | (313,860) | (75,722) | 127,332 |
| Income tax receivable | 5,170 | (4,156) | 1,925 |
| Securities purchased under agreements to resell | — | 290 | 368 |
| Securities owned | 189,202 | 37,865 | 89,013 |
| Notes receivable | (14,254) | (12,583) | (16,078) |
| Other assets | (105,435) | (53,698) | 30,272 |
| Increase (decrease) in operating liabilities: | | | |
| Drafts payable | — | (16,348) | (26,064) |
| Payable to brokers, dealers and clearing organizations | (261,064) | 231,768 | 77,724 |
| Payable to customers | 168,072 | (1,881) | (49,291) |
| Securities sold under agreements to repurchase | 55,173 | (196,953) | (102,260) |
| Securities sold but not yet purchased | 25,600 | 15,125 | (9,040) |
| Accrued compensation | 82,367 | 36,319 | (6,418) |
| Income tax payable | 9,726 | — | — |
| Accounts payable and other liabilities | (25,645) | (23,774) | (2,241) |
| Cash (used in) provided by operating activities | (54,059) | 79,142 | 168,570 |

| *(Expressed in thousands)* | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Cash flows from investing activities** | | | |
| Purchase of furniture, equipment and leasehold improvements | (4,528) | (10,024) | (8,672) |
| Purchase of intangible assets | — | — | (400) |
| Proceeds from the settlement of Company-owned life insurance | 587 | 1,720 | 881 |
| Cash used in investing activities | (3,941) | (8,304) | (8,191) |
| **Cash flows from financing activities** | | | |
| Cash dividends paid on Class A non-voting and Class B voting common stock | (18,578) | (5,944) | (5,833) |
| Cash dividends paid to non-controlling interest | — | — | (372) |
| Issuance of Class A non-voting common stock | 56 | 83 | 70 |
| Repurchase of Class A non-voting common stock for cancellation | (15,048) | (8,400) | (5,894) |
| Payments for employee taxes withheld related to vested share-based awards | (5,839) | (1,014) | (2,529) |
| Issuance of senior secured notes | 125,000 | — | — |
| Redemption of senior secured notes | (148,574) | (50,000) | — |
| Repurchase of senior secured notes | (1,426) | — | — |
| Debt issuance costs | (1,210) | — | — |
| Debt redemption costs | (2,507) | (1,688) | — |
| Increase (decrease) in bank call loans, net | 82,000 | (15,000) | (103,300) |
| Cash provided by (used in) financing activities | 13,874 | (81,963) | (117,858) |
| Net (decrease) increase in cash and cash equivalents | (44,126) | (11,125) | 42,521 |
| **Cash and cash equivalents, beginning of year** | 79,550 | 90,675 | 48,154 |
| **Cash and cash equivalents, end of year** | $ 35,424 | $ 79,550 | $ 90,675 |
| | | | |
| **Schedule of non-cash financing activities** | | | |
| Employee share plan issuance | $ 12,167 | $ 2,192 | $ 724 |
| | | | |
| **Supplemental disclosure of cash flow information** | | | |
| Cash paid during the year for interest | $ 19,013 | $ 40,678 | $ 53,559 |
| Cash paid during the year for income taxes, net | $ 11,191 | $ 16,816 | $ 11,520 |

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

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

## 1. Organization

Oppenheimer Holdings Inc. ("OPY" or the "Parent") is incorporated under the laws of the State of Delaware. The consolidated financial statements include the accounts of OPY and its consolidated subsidiaries (together, the "Company"). Oppenheimer Holdings Inc., through its operating subsidiaries, is a leading middle market investment bank and full service broker-dealer that is engaged in a broad range of activities in the financial services industry, including retail securities brokerage, institutional sales and trading, investment banking (corporate and public finance), equity and fixed income research, market-making, trust services, and investment advisory and asset management services.

The Company is headquartered in New York and has 92 retail branch offices in the United States and 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; and 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.

## 2. Summary of significant accounting policies and estimates

***Basis of Presentation***

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Intercompany transactions and balances have been eliminated in the preparation of the consolidated financial statements.

***Use of Estimates***

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods.

In presenting the consolidated financial statements, management makes estimates regarding valuations of financial instruments, loans and allowances for credit losses, the outcome of legal and regulatory matters, goodwill and other intangible assets, share-based compensation plans and income taxes. Estimates, by their nature, are based on judgment and available information. Therefore, actual results could be materially different from these estimates. A discussion of certain critical accounting policies in which estimates are a significant component of the amounts reported on the consolidated financial statements follows.

On January 30, 2020, the spread of the novel coronavirus ("COVID-19") was declared a Public Health Emergency of International Concern by the World Health Organization ("WHO"). Subsequently, on March 11, 2020, the WHO characterized the COVID-19 outbreak as a pandemic (the "COVID-19 Pandemic"). COVID-19 Pandemic coupled with the current market volatility has created an economic environment which may have significant accounting and financial reporting implications. The disruption of businesses around the globe due to COVID-19 may be a "trigger event" for companies to reassess valuation and accounting estimates and assumptions such as, impairment of goodwill, valuation allowances of deferred tax assets, fair value of investments and collectability of receivables. We have reviewed the assumptions on which we value our goodwill, as well as valuation allowances on certain assets and the collectability of our receivables as of December 31, 2020 which did not result in any impairment or write off.

***Financial Instruments and Fair Value***

*Financial Instruments*

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.

*Fair Value Measurements*

Accounting guidance for the fair value measurement of financial assets, defines fair value, establishes a framework for measuring fair value, establishes a fair value measurement hierarchy, and expands fair value measurement disclosures. Fair value, as defined by the accounting guidance, is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy established by this accounting guidance prioritizes the inputs used in valuation techniques into the following three categories (highest to lowest priority):

**Level 1:** Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

**Level 2:** Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and

**Level 3:** Unobservable inputs that are significant to the overall fair value measurement.

The Company's financial instruments that are recorded at fair value generally are classified within Level 1 or Level 2 within the fair value hierarchy using quoted market prices or quotes from market makers or broker-dealers. Financial instruments classified within Level 1 are valued based on quoted market prices in active markets and consist of U.S. Treasury and Agency securities, corporate equities, and certain money market instruments. Level 2 financial instruments primarily consist of investment grade and high-yield corporate debt, convertible bonds, mortgage and asset-backed securities, and municipal obligations. Financial instruments classified as Level 2 are valued based on quoted prices for similar assets and liabilities in active markets and quoted prices for identical or similar assets and liabilities in markets that are not active. Some financial instruments are classified within Level 3 within the fair value hierarchy as observable pricing inputs are not available due to limited market activity for the asset or liability. Such financial instruments include certain distressed municipal securities, auction rate securities ("ARS") and investments in hedge funds and private equity funds where the Company, through its subsidiaries, is general partner.

*Fair Value Option*

The Company has the option to measure certain financial assets and financial liabilities at fair value with changes in fair value recognized in earnings each period. The Company may make a fair value option election on an instrument-by-instrument basis at initial recognition of an asset or liability or upon an event that gives rise to a new basis of accounting for that instrument.

***Consolidation***

The Company consolidates all subsidiaries in which it has a controlling financial interest, as well as any variable interest entities ("VIEs") where the Company is deemed to be the primary beneficiary, when it has the power to make the decisions that most significantly affect the economic performance of the VIE and has the obligation to absorb significant losses or the right to receive benefits that could potentially be significant to the VIE. The Company reviews factors, including the rights of the equity holders at risk and obligations of equity holders to absorb losses or receive expected residual returns, to determine if the entity is a VIE. In evaluating whether the Company is the primary beneficiary, the Company evaluates its economic interests in the entity held either directly or indirectly by the Company. Under US GAAP, a general partner will not consolidate a partnership or similar entity under the voting interest model. See note 9 for further details.

***Financing Receivables***

The Company's financing receivables include customer margin loans, securities purchased under agreements to resell ("reverse repurchase agreements"), and securities borrowed transactions. The Company uses financing receivables to extend margin loans to customers, meet trade settlement requirements, and facilitate its matched-book arrangements and inventory requirements.

The Company's financing receivables are secured by collateral received from clients and counterparties. In many cases, the Company is permitted to sell or re-pledge securities held as collateral. These securities may be used to collateralize repurchase agreements, to enter into securities lending agreements, to cover short positions or fulfill the obligation of securities fails to deliver. The Company monitors the market value of the collateral received on a daily basis and may require clients and counterparties to deposit additional collateral or return collateral pledged, when appropriate.

Customer receivables, primarily consisting of customer margin loans collateralized by customer-owned securities, are stated net of allowance for credit losses. The Company reviews large customer accounts that do not comply with the Company's margin requirements on a case-by-case basis to determine the likelihood of collection and records an allowance for credit loss following that process. For small customer accounts that do not comply with the Company's margin requirements, the allowance for credit loss is generally recorded as the amount of unsecured or partially secured receivables.

The Company also makes loans to financial advisors as part of its hiring process. These loans are recorded as notes receivable on its consolidated balance sheet. Allowances are established on these loans if the financial advisor is no longer associated with the Company and the loan has not been promptly repaid.

***Legal and Regulatory Reserves***

The Company records reserves related to legal and regulatory proceedings in accounts payable and other liabilities. The determination of the amounts of these reserves requires significant judgment on the part of management. In accordance with applicable accounting guidance, the Company establishes reserves for litigation and regulatory matters where available information indicates that it is probable a liability had been incurred and the Company can reasonably estimate the amount of that loss. When loss contingencies are not probable or cannot be reasonably estimated, the Company does not establish reserves.

When determining whether to record a reserve, management considers many factors including, but not limited to, the amount of the claim; the stage and forum of the proceeding, the sophistication of the claimant, the amount of the loss, if any, in the client's account and the possibility of wrongdoing, if any, on the part of an employee of the Company; the basis and validity of the claim; previous results in similar cases; and applicable legal precedents and case law. Each legal and regulatory proceeding is reviewed with counsel in each accounting period and the reserve is adjusted as deemed appropriate by management. Any change in the reserve amount is recorded in the results of that period. The assumptions of management in determining the estimates of reserves may be incorrect and the actual disposition of a legal or regulatory proceeding could be greater or less than the reserve amount.

***Leases***

In the first quarter of 2019, the Company adopted ASU 2016-02, "Leases". The ASU requires the recognition of right-of use ("ROU") assets and lease liabilities on the consolidated balance sheet by lessees for those leases classified as operating leases under previous guidance.

ROU assets and lease liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term, excluding non-base rent components such as fixed common area maintenance costs and other fixed costs such as real estate taxes and insurance. The discount rates used in determining the present value of leases are the Company’s incremental borrowing rates, developed based upon each lease’s term. The lease term includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. For operating leases, the ROU assets also include any prepaid lease payments and initial direct costs incurred and are reduced by lease incentives. For these leases, lease expense is recognized on a straight-line basis over the lease term if the ROU asset has not been impaired or abandoned.

***Goodwill***

The Company defines a reporting unit as an operating segment. The Company's goodwill resides in its Private Client Division ("PCD") reporting unit. Goodwill of a reporting unit is subject to at least an annual test for impairment to determine if the estimated fair value of a reporting unit is less than its carrying amount. Goodwill of a reporting unit is required to be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Due to the volatility in the financial services sector and equity markets in general, determining whether an impairment of goodwill has occurred is increasingly difficult and requires management to exercise significant judgment. The Company's annual goodwill impairment analysis performed as of December 31, 2020 applied the same valuation methodologies with consistent inputs as that performed as of December 31, 2019, as follows:

In estimating the fair value of the PCD reporting unit, the Company uses traditional standard valuation methods, including the market comparable approach and income approach. The market comparable approach is based on comparisons of the subject company to public companies whose stocks are actively traded ("Price Multiples") or to similar companies engaged in an actual merger or acquisition ("Precedent Transactions"). As part of this process, multiples of value relative to financial variables, such as earnings or stockholders' equity, are developed and applied to the appropriate financial variables of the subject company to indicate its value. The income approach involves estimating the present value of the subject company's future cash flows by using projections of the cash flows that the business is expected to generate, and discounting these cash flows at a given rate of return ("Discounted Cash Flow" or "DCF"). Each of these standard valuation methodologies requires the use of management estimates and assumptions.

In its Price Multiples valuation analysis, the Company uses various operating metrics of comparable companies, including revenues, after-tax earnings, and EBITDA as well as price-to-book value ratios at a point in time. The Company analyzes prices paid in Precedent Transactions that are comparable to the business conducted in the PCD. The DCF analysis includes the Company's assumptions regarding discount rate, growth rates of the PCD's revenues, expenses, EBITDA, and capital expenditures, adjusted for current economic conditions and expectations. The Company weighs each of the three valuation methods equally in its overall valuation. Given the subjectivity involved in selecting which valuation method to use, the corresponding weightings, and the input variables for use in the analyses, it is possible that a different valuation model and the selection of different input variables could produce a materially different estimate of the fair value of the PCD reporting unit.

***Intangible Assets***

Indefinite intangible assets are comprised of trademarks, trade names and an Internet domain name. These intangible assets carried at $32.1 million, which are not amortized, are subject to at least an annual test for impairment to determine if the estimated fair value is less than their carrying amount. The fair value of the trademarks and trade names was substantially in excess of their carrying value as of December 31, 2020.

***Share-Based Compensation Plans***

As part of the compensation to employees and directors, the Company uses stock-based compensation, consisting of restricted stock, stock options and stock appreciation rights. In accordance with ASC Topic 718, "Compensation - Stock Compensation," the Company classifies the stock options and restricted stock awards as equity awards, which requires the compensation cost to be recognized in the consolidated income statements over the requisite service period of the award at grant date fair value and adjusted for actual forfeitures. The fair value of restricted stock awards is determined based on the grant date closing price of the Company's Class A non-voting common stock ("Class A Stock") adjusted for the present value of the dividend to be received upon vesting. The fair value of stock options is determined using the Black-Scholes model. Key assumptions used to estimate the fair value include the expected term and the expected volatility of the Company's Class A Stock over the term of the award, the risk-free interest rate over the expected term, and the Company's expected annual dividend yield. The Company classifies stock appreciation rights ("OARs") as liability awards, which requires the fair value to be remeasured at each reporting period until the award vests. The fair value of OARs is also determined using the Black-Scholes model at the end of each reporting period. The compensation cost is adjusted each reporting period for changes in fair value prorated for the portion of the requisite service period rendered.

***Revenue Recognition***

*Brokerage*

Customers' securities and commodities transactions are reported on a settlement date basis, which is generally two business days after trade date for securities transactions and one day for commodities transactions. Related commission income and expense is recorded on a trade date basis.

*Principal Transactions*

Transactions in proprietary securities and related revenue and expenses are recorded on a trade date basis. Securities owned and securities sold but not yet purchased are reported at fair value generally based upon quoted prices. Realized and unrealized changes in fair value are recognized in principal transactions, net in the period in which the change occurs.

*Investment Banking Fees*

Advisory fees from mergers, acquisitions and restructuring transactions are recorded when services for the transactions are completed and income is reasonably determinable, generally as set forth under the terms of the engagement. Retainer fees and engagement fees are recognized ratably over the service period.

Underwriting fees are recorded when 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 the related expenses are presented gross on the consolidated income statements.

*Interest*

Interest revenue represents interest earned on margin debit balances, securities borrowed transactions, reverse repurchase agreements, fixed income securities, firm investments, and cash and cash equivalents. Interest revenue is recognized in the period earned based upon average or daily asset balances, contractual cash flows, and interest rates.

*Asset Management*

Asset management fees are generally recognized over the period the related service is provided based on the account value at the valuation date per the respective asset management agreements. In certain circumstances, OAM is entitled to receive performance (or incentive) fees when the return on assets under management ("AUM") exceeds certain benchmark returns or other performance targets. Performance fees are generally based on investment performance over a 12-month 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. Asset management fees and performance fees are included in advisory fees in the consolidated income statements. Assets under management are not included as assets of the Company.

*Bank Deposit Sweep Income*

Bank deposit sweep income consists of revenues earned from the Advantage 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. The Company earns the fee paid on these deposits after administrative fees are paid to the administrator of the program. The fee earned in the period is recorded in bank deposit sweep income and the portion of interest credited to clients is recorded in interest expense in the consolidated income statements.

***Balance Sheet***

*Cash and Cash Equivalents*

The Company defines cash equivalents as highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business.

*Receivables from / Payables to Brokers, Dealers and Clearing Organizations*

Securities borrowed and securities loaned are carried at the amounts of cash collateral advanced or received. Securities borrowed transactions require the Company to deposit cash or other collateral with the lender. The Company receives cash or collateral in an amount generally in excess of the market value of securities loaned. The Company monitors the market value of securities borrowed and loaned on a daily basis and may require counterparties to deposit additional collateral or return collateral pledged, when appropriate.

Securities failed to deliver and receive represent the contract value of securities which have not been delivered or received, respectively, by settlement date.

*Receivables from / Payables to Customers*

Receivables from and payables to customers include balances arising from customer securities and margin transactions. Receivables from customers are recorded when margin loans are extended to customers and are recorded on a settlement date basis. Payables to customers are recorded when customers deposit cash into their accounts and are recorded on a settlement date basis. Interest earned from the customer margin loans are recorded in the consolidated income statements in interest income. Interest expenses incurred on customer cash balances are recorded in the consolidated income statements in interest expense.

*Securities Purchased under Agreements to Resell and Securities Sold under Agreements to Repurchase*

Reverse repurchase agreements and securities sold under agreements to repurchase ("repurchase agreements") are treated as collateralized financing transactions and are recorded at their contractual amounts plus accrued interest. The resulting interest income and expense for these arrangements are included in interest income and interest expense in the consolidated income statements. Additionally, the Company elected the fair value option for repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date. The Company can present the reverse repurchase and repurchase transactions on a net-by-counterparty basis when the specific offsetting requirements are satisfied.

*Notes Receivable*

Notes receivable represent recruiting and retention payments generally in the form of upfront loans to financial advisors and key revenue producers as part of the Company's overall growth strategy. These notes generally amortize over a service period of 3 to 10 years from the initial date of the note or based on productivity levels of employees. All such notes are contingent on the employees' continued employment with the Company. The unforgiven portion of the notes becomes due on demand in the event the employee departs during the service period. Amortization of notes receivable is included in the consolidated income statements in compensation and related expenses.

*Furniture, Equipment and Leasehold Improvements*

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation. Depreciation of furniture, fixtures, and equipment is provided on a straight-line basis generally over 3 to 7 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the life of the improvement or the remaining term of the lease.

*Drafts Payable*

Drafts payable represent amounts drawn by the Company against a bank.

*Bank Call Loans*

Bank call loans are generally payable on demand and bear interest at various rates, and such loans are collateralized by firm and/or customer's margin securities.

*Foreign Currency Translations*

Foreign currency balances have been translated into U.S. dollars as follows: monetary assets and liabilities at exchange rates prevailing at period end; revenue and expenses at average rates for the period; and non-monetary assets and stockholders' equity at historical rates. The functional currency of the overseas operations is the local currency in each location except for Oppenheimer Europe Ltd. and Oppenheimer Investments Asia Limited which have the U.S. dollar as their functional currency.

*Income Taxes*

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Company recognizes deferred tax assets to the extent it believes these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and the results of recent operations.

The Company records uncertain tax positions in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740, "Income Taxes" on the basis of a two-step process whereby it determines whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and for those tax positions that meet the more-likely-than-not recognition threshold, the Company recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority.

The Company records interest and penalties accruing on unrecognized tax benefits in pre-tax income as interest expense and other expense, respectively, in its consolidated income statements.

The Company permanently reinvests eligible earnings of its foreign subsidiaries and, accordingly, does not accrue any U.S. income taxes that would arise if such earnings were repatriated.

## 3. Financial Instruments - Credit Losses

On January 1, 2020, the Company adopted ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which replaces the incurred loss methodology with a current expected credit loss ("CECL") methodology. The Company elected the modified retrospective method which did not result in a cumulative effect adjustment at the date of adoption.

The Company can elect to use an approach to measure the allowance for credit losses using the fair value of collateral where the borrower is required to, and reasonably expected to, continually adjust and replenish the amount of collateral securing the instrument to reflect changes in the fair value of such collateral. The Company has elected to use this approach for securities borrowed, margin loans and reverse repurchase agreements. No material historical losses have been reported on these assets. See note 8 for details.

As of December 31, 2020, the Company has $46.2 million of notes receivable. Notes receivable represents recruiting and retention payments generally in the form of upfront loans to financial advisors and key revenue producers as part of the Company's overall growth strategy. These notes generally amortize over a service period of 3 to 10 years from the initial date of the note or based on productivity levels of employees. All such notes are contingent on the employees' continued employment with the Company. The unforgiven portion of the notes becomes due on demand in the event the employee departs during the service period. At this point any uncollected portion of the notes gets reclassified into a defaulted notes category.

The allowance for uncollectibles is a valuation account that is deducted from the amortized cost basis of the defaulted notes balance to present the net amount expected to be collected. Balances are charged-off against the allowance when management deems the amount to be uncollectible.

The Company reserves 100% of the uncollected balance of defaulted notes which are five years and older and applies an expected loss rate to the remaining balance. The expected loss rate is based on historical collection rates of defaulted notes. The expected loss rate is adjusted for changes in environmental and market conditions such as changes in unemployment rates, changes in interest rates and other relevant factors. For the year ended December 31, 2020 no adjustments were made to the expected loss rates. The Company will continuously monitor the effect of these factors on the expected loss rate and adjust it as necessary.

The allowance is measured on a pool basis as the Company has determined that the entire defaulted portion of notes receivable has similar risk characteristics.

As of December 31, 2020, the uncollected balance of defaulted notes was $5.7 million and the allowance for uncollectibles was $4.2 million. The allowance for uncollectibles consisted of $3.1 million related to defaulted notes balances (five years and older) and $1.1 million (under five years) using an expected loss rate of 42.0%.

The following table presents the disaggregation of defaulted notes by year of origination as of December 31, 2020:

| *(Expressed in thousands)* | As of December 31, 2020 | |
|---|---|---|
| 2020 | $ | 741 |
| 2019 | | 445 |
| 2018 | | 177 |
| 2017 | | 737 |
| 2016 | | 484 |
| 2015 and prior | | 3,149 |
| Total | $ | 5,733 |

The following table presents activity in the allowance for uncollectibles of defaulted notes for the year ended December 31, 2020:

| *(Expressed in thousands)* | For the Year Ended December 31, 2020 (1) | |
|---|---|---|
| Beginning balance | $ | 3,673 |
| Additions and other adjustments | | 561 |
| Ending balance | $ | 4,234 |

(1) Beginning balance on January 1, 2020 upon adoption of ASU 2016-13

## 4. 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 its executive management team and many administrative functions for the firm as well as its 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 92 retail branch offices in the United States as well as offices in London, England, St. Helier, Isle of Jersey, Geneva, Switzerland, Frankfurt, Germany, Tel Aviv, Israel and Hong Kong, China.

The Company is constantly assessing its needs for office space and, on a rolling basis, has many leases that expire in any given year.

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 December 31, 2020, the Company had right of use operating lease assets of $153.5 million (net of accumulated amortization of $50.3 million) which are comprised of real estate leases of $150.9 million (net of accumulated amortization of $46.6 million) and equipment leases of $2.6 million (net of accumulated amortization of $3.7 million). As of December 31, 2020, the Company had operating lease liabilities of $193.4 million which are comprised of real estate lease liabilities of $190.8 million and equipment lease liabilities of $2.6 million. As of December 31, 2020, the Company had 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 had no finance leases or embedded leases as of December 31, 2020.

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 December 31, 2020 and December 31, 2019, respectively:

| | As of | |
|---|---|---|
| | December 31, 2020 | December 31, 2019 |
| Weighted average remaining lease term (in years) | 7.84 | 8.31 |
| Weighted average discount rate | 7.43% | 7.89% |

The following table presents operating lease costs recognized for the years ended December 31, 2020 and December 31, 2019, respectively, which are included in occupancy and equipment costs on the consolidated income statements:

| *(Expressed in thousands)* | For the Year Ended December 31, 2020 | For the Year Ended December 31, 2019 |
|---|---|---|
| Operating lease costs: | | |
| Real estate leases - Right-of-use lease asset amortization | $ 23,271 | $ 23,308 |
| Real estate leases - Interest expense | 15,142 | 15,815 |
| Equipment leases - Right-of-use lease asset amortization | 1,879 | 1,878 |
| Equipment leases - Interest expense | 197 | 227 |

The maturities of lease liabilities as of December 31, 2020 are as follows:

| *(Expressed in thousands)* | As of December 31, 2020 |
|---|---|
| 2021 | $ 40,981 |
| 2022 | 36,999 |
| 2023 | 33,984 |
| 2024 | 29,425 |
| 2025 | 23,872 |
| After 2025 | 92,069 |
| Total lease payments | $ 257,330 |
| Less interest | (63,957) |
| Present value of lease liabilities | $ 193,373 |

As of December 31, 2020, the Company had $19.2 million of additional operating leases that have not yet commenced. ($11.1 million as of December 31, 2019).

## 5. Revenues from contracts with customers

In the first quarter of 2018, the Company adopted ASU 2014-09, "Revenue from Contracts with Customers." The Company has elected the modified retrospective method which did not result in a cumulative-effect adjustment at the date of adoption. The implementation of this new standard had no material impact on the Company's consolidated financial statements for the years ended December 31, 2020 and 2019.

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 the 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 are met. Performance fees are considered variable as they are subject to fluctuation and/or are contingent on a future event over the measurement period and are not subject to adjustment once the measurement period ends. Such fees are computed as of the fund's year-end when the measurement period ends and generally are recorded as earned in the fourth quarter of the Company's fiscal year. Both management and performance fees are generally received within 90 days.

***Investment Banking***

The Company earns underwriting revenues by providing capital raising solutions for corporate clients through initial public offerings, follow-on offerings, equity-linked offerings, private investments in public entities, and private placements. Underwriting revenues are recognized at a point in time on trade date, as the client obtains the control and benefit of the capital markets offering at that point. These fees are generally received within 90 days after the transactions are completed. Transaction-related expenses, primarily consisting of legal, travel and other costs directly associated with the transaction, are deferred and recognized in the same period as the related investment banking transaction revenue. Underwriting revenues and related expenses are presented gross on the 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 years ended December 31, 2020 and 2019:

| *(Expressed in thousands)* | For the Year Ended December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | Reportable Segments | | | | |
| | Private Client | Asset Management | Capital Markets | Corporate/ Other | Total |
| Revenues from contracts with customers: | | | | | |
| Commissions from sales and trading | $ 174,346 | $ — | $ 185,542 | $ 29 | $ 359,917 |
| Mutual fund income | 35,101 | 3 | 9 | 67 | 35,180 |
| Advisory fees | 326,858 | 128,258 | 2 | 143 | 455,261 |
| Investment banking - capital markets | 16,093 | — | 123,670 | — | 139,763 |
| Investment banking - advisory | — | 2,000 | 80,535 | — | 82,535 |
| Bank deposit sweep income | 34,829 | — | — | — | 34,829 |
| Other | 14,316 | — | 2,485 | 127 | 16,928 |
| Total revenues from contracts with customers | 601,543 | 130,261 | 392,243 | 366 | 1,124,413 |
| Other sources of revenue: | | | | | |
| Interest | 25,148 | — | 7,749 | 580 | 33,477 |
| Principal transactions, net | 3,300 | — | 26,306 | (1,732) | 27,874 |
| Other | 12,092 | 13 | 454 | 344 | 12,903 |
| Total other sources of revenue | 40,540 | 13 | 34,509 | (808) | 74,254 |
| Total revenue | $ 642,083 | $ 130,274 | $ 426,752 | $ (442) | $ 1,198,667 |

| (Expressed in thousands) | For the Year Ended December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | Reportable Segments | | | | |
| | Private Client | Asset Management | Capital Markets | Corporate/ Other | Total |
| Revenues from contracts with customers: | | | | | |
| Commissions from sales and trading | $ 148,661 | $ — | $ 131,380 | $ 28 | $ 280,069 |
| Mutual fund income | 40,025 | — | 3 | 17 | 40,045 |
| Advisory fees | 264,839 | 88,748 | 10 | 74 | 353,671 |
| Investment banking - capital markets | 13,528 | — | 59,251 | — | 72,779 |
| Investment banking - advisory | — | — | 53,432 | — | 53,432 |
| Bank deposit sweep income | 117,422 | — | — | — | 117,422 |
| Other | 13,288 | 5 | 1,713 | 2,398 | 17,404 |
| Total revenues from contracts with customers | 597,763 | 88,753 | 245,789 | 2,517 | 934,822 |
| Other sources of revenue: | | | | | |
| Interest | 35,809 | — | 13,302 | 1,612 | 50,723 |
| Principal transactions, net | 3,341 | — | 31,621 | (4,868) | 30,094 |
| Other | 16,496 | 2 | 118 | 1,124 | 17,740 |
| Total other sources of revenue | 55,646 | 2 | 45,041 | (2,132) | 98,557 |
| Total revenue | $ 653,409 | $ 88,755 | $ 290,830 | $ 385 | $ 1,033,379 |

***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 $30.8 million and $28.9 million at December 31, 2020 and December 31, 2019, respectively. The Company had no significant impairments related to these receivables during the years ended December 31, 2020 and 2019.

Deferred revenue relates to IRA fees received annually in advance on customers' IRA accounts managed by the Company and retainer fees and other fees earned from certain advisory transactions where the performance obligations have not yet been satisfied. Total deferred revenue was $613,000 and $408,000 for years ended December 31, 2020 and 2019.

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 consolidated balance sheet:

| *(Expressed in thousands)* | As of | |
|---|---|---|
| | December 31, 2020 | December 31, 2019 |
| Contract assets (receivables): | | |
| Commission [(1)] | $ 3,107 | $ 2,824 |
| Mutual fund income [(2)] | 5,989 | 6,746 |
| Advisory fees [(3)] | 1,590 | 1,594 |
| Bank deposit sweep income [(4)] | 687 | 3,454 |
| Investment banking fees [(5)] | 16,119 | 9,284 |
| Other | 3,324 | 4,986 |
| Total contract assets | $ 30,816 | $ 28,888 |
| Deferred revenue (payables): | | |
| Investment banking fees [(6)] | $ 613 | $ 408 |
| Total deferred revenue | $ 613 | $ 408 |

(1) Commission recorded on trade date but not yet settled.
(2) Mutual fund income earned but not yet received.
(3) Management and performance fees earned but not yet received.
(4) Fees earned from FDIC-insured bank deposit program but not yet received.
(5) Underwriting revenue and advisory fee earned but not yet received.
(6) Retainer fees and fees earned from certain advisory transactions where the performance obligations have not yet been satisfied.

***Contract Costs***

The Company incurs incremental transaction-related costs to obtain and/or fulfill contracts associated with investment banking and advisory engagements where the revenue is recognized at a point in time and the costs are determined to be recoverable. As of December 31, 2020, these contract costs were $1.6 million. There were no significant charges recognized in relation to these costs for year ended December 31, 2020.

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

| *(Expressed in thousands)* | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Receivable from brokers, dealers and clearing organizations consists of: | | |
| Securities borrowed | $ 110,932 | $ 99,635 |
| Receivable from brokers | 30,133 | 19,024 |
| Securities failed to deliver | 17,840 | 7,173 |
| Clearing organizations | 28,955 | 36,269 |
| Other | 15,634 | 1,192 |
| Total | $ 203,494 | $ 163,293 |
| Payable to brokers, dealers and clearing organizations consists of: | | |
| Securities loaned | $ 249,499 | $ 234,343 |
| Payable to brokers | 4,102 | 4,548 |
| Securities failed to receive | 6,218 | 14,603 |
| Clearing organizations and other [1] | 92 | 267,481 |
| Total | $ 259,911 | $ 520,975 |

(1) 2019 amount was primarily related to a trade/settlement date adjustment for U.S. Government Securities.

**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.

*Auction Rate Securities ("ARS")*

Background

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 (the "Regulators") concluding 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. Over the last ten years, the Company has bought back $142.5 million of ARS pursuant to these settlements. These buybacks coupled with ARS issuer redemptions and tender offers have significantly reduced the level of ARS held by Eligible Investors (as defined). As of December 31, 2020, the Company had $1.3 million of ARS to purchase from Eligible Investors 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. Over the last ten years, the Company has purchased $106.1 million of ARS pursuant to these legal settlements and awards. The Company has completed its ARS purchase obligations under such legal settlements and awards.

As of December 31, 2020, the Company owned $30.7 million of ARS. This amount represents the unredeemed or unsold amount that the Company holds as a result of ARS buybacks pursuant to the settlements with the Regulators and legal settlements and awards referred to above.

Valuation

The Company’s ARS owned and ARS purchase commitments referred to above have, for the most part, been subject to issuer tender offers. The Company has valued the ARS securities owned and the ARS purchase commitments at the tender offer price and categorized them in Level 3 of the fair value hierarchy due to the illiquid nature of the securities and the period of time since the last tender offer. The ARS purchase commitments related to the settlements with the Regulators and legal settlements and awards are considered derivative assets or liabilities. The ARS purchase commitments represent the difference between the principal value and the fair value of the ARS the Company is committed to purchase. The fair value of ARS and ARS purchase commitments is particularly sensitive to movements in interest rates. However, an increase or decrease in short-term interest rates may or may not result in a higher or lower tender offer in the future or the tender offer price may not provide a reasonable estimate of the fair value of the securities. In such cases, other valuation techniques might be necessary.

As of December 31, 2020, the Company had a valuation adjustment totaling $5.2 million which consists of $5.0 million for ARS owned (which is included as a reduction to securities owned on the consolidated balance sheet) and $0.2 million for ARS purchase commitments from settlements with regulators (which is included in accounts payable and other liabilities on the consolidated balance sheet).

*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 December 31, 2020:

| *(Expressed in thousands)* | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Hedge funds [1] | $ 1,126 | $ — | Quarterly - Annually | 30 - 120 Days |
| Private equity funds [2] | 3,710 | 1,238 | N/A | N/A |
| | $ 4,836 | $ 1,238 | | |

(1) Includes investments in hedge funds and hedge fund of funds that pursue long/short, event-driven, and activist strategies.
(2) Includes private equity funds and private equity fund of funds with a focus on diversified portfolios, real estate and global natural resources.

The following table provides information about the Company's investments in Company-sponsored funds as of December 31, 2019:

| *(Expressed in thousands)* | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Hedge funds [1] | $ 1,589 | $ — | Quarterly - Annually | 30 - 120 Days |
| Private equity funds [2] | 4,227 | 1,339 | N/A | N/A |
| | $ 5,816 | $ 1,339 | | |

(1) Includes investments in hedge funds and hedge fund of funds that pursue long/short, event-driven, and activist strategies.
(2) Includes private equity funds and private equity fund of funds with a focus on diversified portfolios, real estate and global natural resources.

During the year ended December 31, 2020, the Company made an investment in a financial technologies firm. The Company elected the fair value option for this investment and it is included in other assets on the consolidated balance sheet. The Company determined the fair value of the investment based on an implied market-multiple approach and observable market data, including comparable company transactions. The fair value of the investment was $4.2 million and was categorized in Level 2 of the fair value hierarchy.

**Assets and Liabilities Measured at Fair Value**

The Company's assets and liabilities, recorded at fair value on a recurring basis as of December 31, 2020 and 2019, 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 December 31, 2020***

*(Expressed in thousands)*

| | Fair Value Measurements as of December 31, 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Deposits with clearing organizations | $ 23,991 | $ — | $ — | $ 23,991 |
| Securities owned: | | | | |
| U.S. Treasury securities | 448,312 | — | — | 448,312 |
| U.S. Agency securities | — | 24,616 | — | 24,616 |
| Sovereign obligations | — | 367 | — | 367 |
| Corporate debt and other obligations | — | 23,977 | — | 23,977 |
| Mortgage and other asset-backed securities | — | 3,103 | — | 3,103 |
| Municipal obligations | — | 25,190 | — | 25,190 |
| Convertible bonds | — | 17,497 | — | 17,497 |
| Corporate equities | 36,554 | — | — | 36,554 |
| Money markets | 200 | — | — | 200 |
| Auction rate securities | — | — | 30,701 | 30,701 |
| Securities owned, at fair value | 485,066 | 94,750 | 30,701 | 610,517 |
| Investments (1) | — | 4,181 | — | 4,181 |
| Derivative contracts: | | | | |
| TBAs | — | 15 | — | 15 |
| Total | $ 509,057 | $ 98,946 | $ 30,701 | $ 638,704 |
| **Liabilities** | | | | |
| Securities sold but not yet purchased: | | | | |
| U.S. Treasury securities | $ 93,261 | $ — | $ — | $ 93,261 |
| U.S. Agency securities | — | 9 | — | 9 |
| Sovereign obligations | — | 623 | — | 623 |
| Corporate debt and other obligations | — | 5,283 | — | 5,283 |
| Convertible bonds | — | 9,103 | — | 9,103 |
| Corporate equities | 17,892 | — | — | 17,892 |
| Securities sold but not yet purchased, at fair value | 111,153 | 15,018 | — | 126,171 |
| Investments | — | — | — | — |
| Derivative contracts: | | | | |
| Futures | 22 | — | — | 22 |
| TBAs | — | 3 | — | 3 |
| ARS purchase commitments | — | — | 195 | 195 |
| Derivative contracts, total | 22 | 3 | 195 | 220 |
| Total | $ 111,175 | $ 15,021 | $ 195 | $ 126,391 |

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

***Assets and liabilities measured at fair value on a recurring basis as of December 31, 2019***

*(Expressed in thousands)*

| | Fair Value Measurements as of December 31, 2019 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Assets** | | | | |
| Deposits with clearing organizations | $ 25,118 | $ — | $ — | $ 25,118 |
| Securities owned: | | | | |
| U.S. Treasury securities | 613,030 | — | — | 613,030 |
| U.S. Agency securities | 19,917 | 15,974 | — | 35,891 |
| Sovereign obligations | — | 11,405 | — | 11,405 |
| Corporate debt and other obligations | — | 8,310 | — | 8,310 |
| Mortgage and other asset-backed securities | — | 2,697 | — | 2,697 |
| Municipal obligations | — | 40,260 | — | 40,260 |
| Convertible bonds | — | 29,816 | — | 29,816 |
| Corporate equities | 32,215 | — | — | 32,215 |
| Money markets | 781 | — | — | 781 |
| Auction rate securities | — | 25,314 | — | 25,314 |
| Securities owned, at fair value | 665,943 | 133,776 | — | 799,719 |
| Total | $ 691,061 | $ 133,776 | $ — | $ 824,837 |
| **Liabilities** | | | | |
| Securities sold but not yet purchased: | | | | |
| U.S. Treasury securities | $ 52,882 | $ — | $ — | $ 52,882 |
| U.S. Agency securities | — | 18 | — | 18 |
| Sovereign obligations | — | 6,405 | — | 6,405 |
| Corporate debt and other obligations | — | 664 | — | 664 |
| Convertible bonds | — | 18,624 | — | 18,624 |
| Corporate equities | 21,978 | — | — | 21,978 |
| Securities sold but not yet purchased, at fair value | 74,860 | 25,711 | — | 100,571 |
| Derivative contracts: | | | | |
| Futures | 267 | — | — | 267 |
| TBAs | — | 124 | — | 124 |
| ARS purchase commitments | — | 1,023 | — | 1,023 |
| Derivative contracts, total | 267 | 1,147 | — | 1,414 |
| Total | $ 75,127 | $ 26,858 | $ — | $ 101,985 |

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the years ended December 31, 2020 and 2019:

| *(Expressed in thousands)* | Level 3 Assets and Liabilities For the Year Ended December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning Balance | Total Realized and Unrealized Losses [(3)(4)] | Purchases and Issuances | Sales and Settlements | Transfers In / (Out) [(1)] | Ending Balance |
| **Assets** | | | | | | |
| Auction rate securities | $ — | $ (165) | $ 1,300 | $ — | $ 29,566 | $ 30,701 |
| **Liabilities** | | | | | | |
| ARS purchase commitments [(2)] | — | (137) | — | — | 332 | 195 |

(1) Transferred to Level 3 of the fair value hierarchy due to the illiquid nature of the securities as result of the length of time since the last tender offer.
(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 consolidated income statement.
(4) 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 Year Ended December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Beginning Balance | Total Realized and Unrealized Gains [(2)(3)] | Purchases and Issuances | Sales and Settlements | Transfers In / (Out) [(1)] | Ending Balance |
| **Assets** | | | | | | |
| Auction rate securities | $ 21,699 | $ 1 | $ — | $ (350) | $ (21,350) | $ — |
| Investments | 101 | 5 | — | — | (106) | — |

(1) Transferred to Level 2 of the fair value hierarchy as a result of recent tender offer activities.
(2) Included in principal transactions in the consolidated income statement, except for gains from investments which are included in other income in the consolidated income statement.
(3) Unrealized gains are attributable to assets or liabilities that are still held at the reporting date.

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**Financial Instruments Not Measured at Fair Value**

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

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

***Assets and liabilities not measured at fair value as of December 31, 2020***

| *(Expressed in thousands)* | | Fair Value Measurement: Assets | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Cash | $ 35,424 | $ 35,424 | $ — | $ — | $ 35,424 |
| Deposits with clearing organization | 59,352 | 59,352 | — | — | 59,352 |
| Receivable from brokers, dealers and clearing organizations: | | | | | |
| Securities borrowed | 110,932 | — | 110,932 | — | 110,932 |
| Receivables from brokers | 30,133 | — | 30,133 | — | 30,133 |
| Securities failed to deliver | 17,840 | — | 17,840 | — | 17,840 |
| Clearing organizations | 28,955 | — | 28,955 | — | 28,955 |
| Other | 15,622 | — | 15,622 | — | 15,622 |
| | 203,482 | — | 203,482 | — | 203,482 |
| Receivable from customers | 1,110,835 | — | 1,110,835 | — | 1,110,835 |
| Notes receivable, net | 46,161 | — | 46,161 | — | 46,161 |
| Investments (1) | 85,552 | — | 85,552 | — | 85,552 |

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

| *(Expressed in thousands)* | | Fair Value Measurement: Liabilities | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Bank call loans | $ 82,000 | $ — | $ 82,000 | $ — | $ 82,000 |
| Payables to brokers, dealers and clearing organizations: | | | | | |
| Securities loaned | 249,499 | — | 249,499 | — | 249,499 |
| Payable to brokers | 4,102 | — | 4,102 | — | 4,102 |
| Securities failed to receive | 6,218 | — | 6,218 | — | 6,218 |
| Other | 70 | — | 70 | — | 70 |
| | 259,889 | — | 259,889 | — | 259,889 |
| Payables to customers | 502,807 | — | 502,807 | — | 502,807 |
| Securities sold under agreements to repurchase | 342,438 | — | 342,438 | — | 342,438 |
| Senior secured notes | 125,000 | — | 127,033 | — | 127,033 |

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

| *(Expressed in thousands)* | | Fair Value Measurement: Assets | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Cash | $ 79,550 | $ 79,550 | $ — | $ — | $ 79,550 |
| Deposits with clearing organization | 23,297 | 23,297 | — | — | 23,297 |
| Receivable from brokers, dealers and clearing organizations: | | | | | |
| Securities borrowed | 99,635 | — | 99,635 | — | 99,635 |
| Receivables from brokers | 19,024 | — | 19,024 | — | 19,024 |
| Securities failed to deliver | 7,173 | — | 7,173 | — | 7,173 |
| Clearing organizations | 36,269 | — | 36,269 | — | 36,269 |
| Other | 1,316 | — | 1,316 | — | 1,316 |
| | 163,417 | — | 163,417 | — | 163,417 |
| Receivable from customers | 796,934 | — | 796,934 | — | 796,934 |
| Notes receivable, net | 43,670 | — | 43,670 | — | 43,670 |
| Investments (1) | 73,971 | — | 73,971 | — | 73,971 |

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

| *(Expressed in thousands)* | | Fair Value Measurement: Liabilities | | | |
|---|---|---|---|---|---|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total |
| Payables to brokers, dealers and clearing organizations: | | | | | |
| Securities loaned | $ 234,343 | $ — | $ 234,343 | $ — | $ 234,343 |
| Payable to brokers | 4,548 | — | 4,548 | — | 4,548 |
| Securities failed to receive | 14,603 | — | 14,603 | — | 14,603 |
| Other | 267,214 | — | 267,214 | — | 267,214 |
| | 520,708 | — | 520,708 | — | 520,708 |
| Payables to customers | 334,735 | — | 334,735 | — | 334,735 |
| Securities sold under agreements to repurchase | 287,265 | — | 287,265 | — | 287,265 |
| Senior secured notes | 150,000 | — | 154,988 | — | 154,988 |

**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 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 consolidated balance sheet and other income in the consolidated income statements.

*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 consolidated balance sheet in payable to brokers, dealers and clearing organizations and in the consolidated income statements 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 consolidated balance sheet in receivable from brokers, dealers and clearing organizations or payable to brokers, dealers and clearing organizations and in the consolidated income statements as principal transactions revenue, net.

The notional amounts and fair values of the Company's derivatives as of December 31, 2020 and 2019 by product were as follows:

| *(Expressed in thousands)* | Fair Value of Derivative Instruments as of December 31, 2020 | | |
|---|---|---|---|
| | Description | Notional | Fair Value |
| **Assets:** | | | |
| Derivatives not designated as hedging instruments [1] | | | |
| Other contracts | TBAs | $ 7,970 | $ 15 |
| | | $ 7,970 | $ 15 |
| | | | |
| **Liabilities:** | | | |
| Derivatives not designated as hedging instruments [1] | | | |
| Commodity contracts | Futures | $ 3,440,000 | $ 22 |
| Other contracts | TBAs | 7,936 | 3 |
| | ARS purchase commitments | 1,313 | 195 |
| | | $ 3,449,249 | $ 220 |

(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.

| *(Expressed in thousands)* | Fair Value of Derivative Instruments as of December 31, 2019 | | |
|---|---|---|---|
| | Description | Notional | Fair Value |
| **Liabilities:** | | | |
| Derivatives not designated as hedging instruments [1] | | | |
| Commodity contracts | Futures | $ 5,209,000 | $ 267 |
| Other contracts | TBAs | 13,245 | 124 |
| | ARS purchase commitments | 7,128 | 1,023 |
| | | $ 5,229,373 | $ 1,414 |

(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.

The following table presents the location and fair value amounts of the Company's derivative instruments and their effect in the consolidated income statements for the years ended December 31, 2020 and 2019:

| *(Expressed in thousands)* | The Effect of Derivative Instruments in the Consolidated Income Statement For the Year Ended December 31, 2020 | | |
|---|---|---|---|
| | | Recognized in Income on Derivatives (pre-tax) | |
| **Types** | Description | Location | Net Gain (Loss) |
| Commodity contracts | Futures | Principal transactions revenue | $ (8,107) |
| Other contracts | Foreign exchange forward contracts | Other revenue | 72 |
| | TBAs | Principal transactions revenue | 31 |
| | ARS purchase commitments | Principal transactions revenue | 828 |
| | | | $ (7,176) |

| *(Expressed in thousands)* | The Effect of Derivative Instruments in the Consolidated Income Statement For the Year Ended December 31, 2019 | | |
|---|---|---|---|
| | | Recognized in Income on Derivatives (pre-tax) | |
| **Types** | Description | Location | Net Gain (Loss) |
| Commodity contracts | Futures | Principal transactions revenue | $ (2,362) |
| Other contracts | Foreign exchange forward contracts | Other revenue | 15 |
| | TBAs | Principal transactions revenue | (53) |
| | ARS purchase commitments | Principal transactions revenue | 73 |
| | | | $ (2,327) |

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**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 December 31, 2020, the outstanding balance of bank call loans was $82.0 million ($0 million as of December 31, 2019). Such loans were collateralized by the Firm's securities and customer securities with market values of approximately $63.7 million and $28.4 million, respectively, with commercial banks.

As of December 31, 2020, the Company had approximately $1.6 billion of customer securities under customer margin loans that are available to be pledged, of which the Company has re-pledged approximately $208.0 million under securities loan agreements.

As of December 31, 2020, the Company had pledged $377.9 million of customer securities directly with the Options Clearing Corporation to secure obligations and margin requirements under option contracts written by customers.

As of December 31, 2020, 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 December 31, 2020:

| *(Expressed in thousands)* | Overnight and Open |
|---|---|
| Repurchase agreements: | |
| U.S. Government and Agency securities | $ 430,787 |
| Securities loaned: | |
| Equity securities | 249,499 |
| Gross amount of recognized liabilities for repurchase agreements and securities loaned | $ 680,286 |

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The following tables present the gross amounts and the offsetting amounts of reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions as of December 31, 2020 and 2019:

| As of December 31, 2020 | | | | | | |
|---|---|---|---|---|---|---|
| *(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 | $ 88,349 | $ (88,349) | $ — | $ — | $ — | $ — |
| Securities borrowed [1] | 110,932 | — | 110,932 | (109,922) | — | 1,010 |
| Total | $ 199,281 | $ (88,349) | $ 110,932 | $ (109,922) | $ — | $ 1,010 |

(1) Included in receivable from brokers, dealers and clearing organizations on the 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 | $ 430,787 | $ (88,349) | $ 342,438 | $ (340,632) | $ — | $ 1,806 |
| Securities loaned [2] | 249,499 | — | 249,499 | (242,318) | — | 7,181 |
| Total | $ 680,286 | $ (88,349) | $ 591,937 | $ (582,950) | $ — | $ 8,987 |

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

| As of December 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 | $ 55,927 | $ (55,927) | $ — | $ — | $ — | $ — |
| Securities borrowed [1] | 99,635 | — | 99,635 | (97,702) | — | 1,933 |
| Total | $ 155,562 | $ (55,927) | $ 99,635 | $ (97,702) | $ — | $ 1,933 |

(1) Included in receivable from brokers, dealers and clearing organizations on the 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 | $ 343,192 | $ (55,927) | $ 287,265 | $ (285,264) | $ — | $ 2,001 |
| Securities loaned [2] | 234,343 | — | 234,343 | (228,548) | — | 5,795 |
| Total | $ 577,535 | $ (55,927) | $ 521,608 | $ (513,812) | $ — | $ 7,796 |

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

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 December 31, 2020, the Company did not have any repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date.

The Company receives collateral in connection with securities borrowed and reverse repurchase agreement transactions and customer margin loans. Under many agreements, the Company is permitted to sell or re-pledge the securities received (e.g., use the securities to enter into securities lending transactions, or deliver to counterparties to cover short positions). As of December 31, 2020, the fair value of securities received as collateral under securities borrowed transactions and reverse repurchase agreements was $108.0 million ($96.3 million as of December 31, 2019) and $88.3 million ($55.8 million as of December 31, 2019), respectively, of which the Company has sold and re-pledged approximately $36.2 million ($19.3 million as of December 31, 2019) under securities loaned transactions and $88.3 million under repurchase agreements ($55.8 million as of December 31, 2019).

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 $440.5 million, as presented on the face of the consolidated balance sheet as of December 31, 2020 ($357.1 million as of December 31, 2019).

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 December 31, 2020 are receivables from three major U.S. broker-dealers totaling approximately $69.7 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 December 31, 2020 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 December 31, 2020, 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.

## 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.

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 consolidated balance sheet.

In addition, the Company has variable interests as a sponsor of two Special Purpose Acquisition Companies ("SPAC"), that are seeking to effect a transaction which could be in the form of a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

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 December 31, 2020 and 2019:

| *(Expressed in thousands)* | As of December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | | 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 | $ 643,251 | $ — | $ — | $ — | $ — |
| Special Purpose Acquisition Companies | 1,384 | — | — | — | — |
| Total | $ 644,635 | $ — | $ — | $ — | $ — |

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

| *(Expressed in thousands)* | As of December 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 | $ 390,063 | $ 259 | $ — | $ — | $ 259 |

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

## 10. Furniture, equipment and leasehold improvements

| (Expressed in thousands) | For the Years Ended December 31, 2020 | 2019 |
|---|---|---|
| Furniture, fixtures and equipment | $ 62,860 | $ 62,444 |
| Leasehold improvements | 55,860 | 63,706 |
| Total | 118,720 | 126,150 |
| Less accumulated depreciation | (90,958) | (94,773) |
| Total | $ 27,762 | $ 31,377 |

Depreciation and amortization expense, included in occupancy and equipment costs in the consolidated income statements was $8.1 million, $7.6 million and $6.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## 11. Bank call loans

Bank call loans, primarily payable on demand, bear interest at various rates but not exceeding the broker call rate, which was 2.00% at December 31, 2020 (3.50% at December 31, 2019). Details of the bank call loans are as follows:

| (Expressed in thousands, except percentages) | 2020 | 2019 |
|---|---|---|
| Year-end balance | $ 82,000 | $ — |
| Weighted interest rate (at end of year) | 1.09 % | — % |
| Maximum balance (at any month-end) | 203,100 | 76,900 |
| Average amount outstanding (during the year) | 82,760 | 11,063 |
| Average interest rate (during the year) | 0.93 % | 3.27 % |

Interest expense for the year ended December 31, 2020 on bank call loans was $0.8 million ($0.4 million in 2019 and $1.4 million in 2018).

## 12. Long-term debt

| (Expressed in thousands)<br>Issued | Maturity Date | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| 5.50% Senior Secured Notes | 10/1/2025 | $ 125,000 | $ — |
| 6.75% Senior Secured Notes | 7/1/2022 | — | 150,000 |
| Unamortized Debt Issuance Cost | | (1,154) | (485) |
| | | $ 123,846 | $ 149,515 |

***5.50% Senior Secured Notes due 2025 (the "Notes")***

On September 22, 2020, in a private offering, we issued $125.0 million aggregate principal amount of 5.50% Senior Secured Notes due 2025 (the "Unregistered Notes") under an Indenture at an issue price of 100% of the principal amount. Interest on the Unregistered Notes is payable semi-annually on April 1st and October 1st. We used the net proceeds from the offering of the Unregistered Notes, along with cash on hand, to redeem in full our 6.75% Senior Secured Notes due July 1, 2022 (the "Old Notes") in the principal amount of $150.0 million (the Company held $1.4 million in treasury for a net outstanding amount of $148.6 million), and pay all related fees and expenses related thereto.

On November 23, 2020, we completed an exchange offer in which we exchanged 99.8% of the 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 Notes will mature on October 1, 2025 and bear interest at a rate of 5.50% per annum, payable semiannually on April 1st and October 1st, respectively, of each year.

The Parent used the net proceeds from the offering of the Notes, along with cash on hand, to redeem in full its Old Notes, in the principal amount of $150.0 million (the Parent held $1.4 million in treasury for a net outstanding amount of $148.6 million), and pay all related fees and expenses in relation thereto. The cost to issue the Notes was $3.1 million, of which $1.9 million was paid to its subsidiary, (Oppenheimer & Co Inc., who served as the initial purchaser of the offering), and was eliminated in consolidation. The remaining $1.2 million has been capitalized and is amortized over the term of the Notes.

The Indenture governing the Notes contains covenants which place restrictions on the incurrence of indebtedness, the payment of dividends, the repurchase of equity, the sale of assets, the issuance of guarantees, mergers and acquisitions and the granting of liens. These covenants are subject to a number of important exceptions and qualifications. These exceptions and qualifications include, among other things, a variety of provisions that are intended to allow the Company to continue to conduct its brokerage operations in the ordinary course of business. In addition, certain of the covenants will be suspended upon the Parent attaining an investment grade debt rating for the Notes from both S&P Global Ratings and Moody’s Investors Service, Inc.

Pursuant to the Indenture, the following covenants apply to the Parent and its restricted subsidiaries, but generally do not apply, or apply only in part, to its Regulated Subsidiaries (as defined):

- limitation on indebtedness and issuances of preferred stock, which restricts the Parent’s ability to incur additional indebtedness or to issue preferred stock;
- limitation on restricted payments, which generally restricts the Parent’s ability to declare certain dividends or distributions, repurchase its capital stock or to make certain investments;
- limitation on dividends and other payment restrictions affecting restricted subsidiaries or Regulated Subsidiaries, which generally limits the ability of certain of the Parent’s subsidiaries to pay dividends or make other transfers;
- limitation on future Subsidiary Guarantors, which prohibits certain of the Parent’s subsidiaries from guaranteeing its indebtedness or indebtedness of any restricted subsidiary unless the Notes are comparably guaranteed;
- limitation on transactions with shareholders and affiliates, which generally requires transactions among the Parent’s affiliated entities to be conducted on an arm’s-length basis;
- limitation on liens, which generally prohibits the Parent and its restricted subsidiaries from granting liens unless the Notes are comparably secured; and
- limitation on asset sales, which generally prohibits the Parent and certain of its subsidiaries from selling assets or certain securities or property of significant subsidiaries.

The Indenture also provides for events of default which, if any of them occurs, would permit or require the principal of and accrued interest on the Notes to become or to be declared due and payable. As of December 31, 2020, the Parent was in compliance with all of its covenants.

The Notes are jointly and severally and fully and unconditionally guaranteed on a senior secured basis by the Subsidiary Guarantors and future subsidiaries are required to guarantee the Notes pursuant to the Indenture. The Notes are secured by a first-priority security interest in substantially all of the Parent’s and the Subsidiary Guarantors’ existing and future tangible and intangible assets, subject to certain exceptions and permitted liens.

Interest expense on the Notes for the year ended December 31, 2020 was $1.9 million.

***6.75% Senior Secured Notes (the "Old 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 under an indenture at an issue price of 100% of the principal amount. Interest on the Old Notes was payable semi-annually on January 1st and July 1st, beginning January 1, 2018.

The Company redeemed $50.0 million (25%) of the Old Notes on August 25, 2019 plus accrued and unpaid interest and incurred $1.9 million in costs associated with paying the associated Call Premium ($1.7 million) and the write-off of debt issuance costs ($0.2 million) during the third quarter of 2019.

During the first quarter of 2020, the Company repurchased $1.4 million of the Old Notes. The Company recorded a gain of $85,560 on the repurchase during the first quarter of 2020. The Old Notes were scheduled to mature on July 1, 2022.

On August 28, 2020, the Parent issued a conditional notice of redemption to redeem the entire $150.0 million aggregate principal amount of the outstanding Old Notes on September 28, 2020 (the “Redemption Date”). The Company held $1.4 million in treasury for a net outstanding amount of $148.6 million. The redemption was conditioned upon the consummation of a financing sufficient to provide funds to deposit with the Trustee to redeem the Old Notes. On September 22, 2020, the Parent issued a notice to satisfy and discharge all of its obligations under the Indenture governing the Old Notes (the "Old Notes Indenture"). In connection therewith, on September 22, 2020, the Parent deposited, with the Trustee for the Old Notes, funds sufficient to redeem all outstanding Old Notes on the Redemption Date and instructed the Trustee to apply such funds to redeem the Old Notes on the Redemption Date. The redemption payment deposit was an amount equal to the redemption price of 101.6875% of the aggregate principal amount of the Old Notes, which includes a call premium of $2.5 million plus accrued and unpaid interest thereon to, but not including, the Redemption Date. In addition, the Parent wrote off unamortized debt issuance costs of $341,200.

On September 28, 2020, the Old Notes were fully redeemed. In connection with the satisfaction and discharge of the Old Notes Indenture, all of the obligations of the Parent and the Subsidiary Guarantors (other than certain customary provisions of the Old Notes Indenture, including those relating to the compensation and indemnification of the Trustee, that expressly survive pursuant to the terms of the Old Notes Indenture) were discharged and the guarantees of the Subsidiary Guarantors and the liens on the collateral securing the Old Notes were released.

Interest expense on the Old Notes for the year ended December 31, 2020 was $7.4 million ($12.3 million in 2019 and $13.5 million in 2018). Interest paid on the Old Notes for the year ended December 31, 2020 was $7.4 million ($12.3 million in 2019).

## 13. 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 years indicated:

| | 2020 | 2019 |
|---|---|---|
| Class A Stock outstanding, beginning of year | 12,698,703 | 12,941,809 |
| Issued pursuant to share-based compensation plans (note 16) | 401,597 | 80,143 |
| Repurchased and canceled pursuant to the stock buy-back | (718,522) | (323,249) |
| Class A Stock outstanding, end of year | 12,381,778 | 12,698,703 |

*Stock buy-back*

On May 15, 2020, the Company announced that its Board of Directors approved a share repurchase program that authorizes the Company to purchase up to 530,000 shares of the Company's Class A Stock, representing approximately 4.2% of its 12,636,523 then issued and outstanding shares of Class A Stock. This authorization supplemented the 98,625 shares that remained authorized and available under the Company's previous share repurchase program for a total of 628,625 shares authorized and available for repurchase at May 15, 2020.

During the year ended December 31, 2020, the Company purchased and canceled an aggregate of 718,522 shares of Class A Stock for a total consideration of $15.0 million ($20.94 per share). As of December 31, 2020, 401,013 shares remained available to be purchased under this program. During the year ended December 31, 2019, the Company purchased and canceled an aggregate of 323,249 shares of Class A Stock for a total consideration of $8.4 million ($25.99 per share). As of December 31, 2019, 589,535 shares remained available to be purchased under the share repurchase program.

Any such share purchases will be made by the Company from time to time in the open market at the prevailing open market price using cash on hand, in compliance with the applicable rules and regulations of the New York Stock Exchange and federal and state securities laws and the terms of the Company's Notes. All shares purchased will be canceled. The share repurchase program is expected to continue indefinitely. The timing and amounts of any purchases will be based 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, these repurchases may be commenced or suspended from time to time without prior notice.

*Dividends*

The Company paid cash dividends of $1.48 per share in 2020 to holders of Class A and Class B Stock which includes a special cash dividend of $1.00 per share paid on December 30, 2020 in the aggregate amount of $12.5 million. The Company paid cash dividends of $0.46 in 2019 and $0.44 in 2018.

## 14. Earnings per share

Basic earnings per share is computed by dividing net income over 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 Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Basic weighted average number of shares outstanding | 12,642,576 | 12,904,397 | 13,248,876 |
| Net dilutive effect of share-based awards, treasury method (1) | 574,759 | 947,435 | 812,493 |
| Diluted weighted average number of shares outstanding | 13,217,335 | 13,851,832 | 14,061,369 |
| | | | |
| Net income | $ 122,986 | $ 52,953 | $ 28,892 |
| | | | |
| Earnings per share | | | |
| Basic | $ 9.73 | $ 4.10 | $ 2.18 |
| Diluted | $ 9.30 | $ 3.82 | $ 2.05 |

(1) For the year ended December 31, 2020, the diluted net income per share computation does not include the anti-dilutive effect of 10,770 shares of Class A Stock granted under share-based compensation arrangements (7,628 and 4,050 shares for the years ended December 31, 2019 and 2018, respectively).

## 15. Income taxes

Income tax expenses (benefits) shown in the consolidated income statements are reconciled to amounts of tax that would have been payable (recoverable) from the application of the federal tax rate to pre-tax profit, as follows:

| *(Expressed in thousands)* | For the Years Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| | Amount | Percentage | Amount | Percentage | Amount | Percentage |
| U.S. federal statutory income tax | $ 35,491 | 21.0 % | $ 15,732 | 21.0 % | $ 9,419 | 21.0 % |
| U.S. state and local income taxes, net of U.S. federal income tax benefits | 8,770 | 5.2 % | 4,258 | 5.7 % | 3,144 | 7.0 % |
| Unrecognized tax benefit | (853) | (0.5)% | — | — % | — | — % |
| Valuation allowance | 517 | 0.3 % | 1,663 | 2.2 % | 1,833 | 4.1 % |
| Non-taxable income | (580) | (0.3)% | (738) | (1.0)% | (637) | (1.4)% |
| Provision to return adjustments | 239 | 0.1 % | (723) | (1.0)% | (326) | (0.7)% |
| Change in state and foreign tax rates | 238 | 0.1 % | (135) | (0.2)% | 267 | 0.6 % |
| Foreign tax rate differentials | (469) | (0.3)% | (59) | (0.1)% | 112 | 0.2 % |
| Excess tax benefits from share-based awards | (1,008) | (0.6)% | (234) | (0.3)% | (81) | (0.2)% |
| Other non-deductible expenses | 3,669 | 2.2 % | 2,195 | 3.0 % | 2,246 | 5.0 % |
| Total income taxes | $ 46,014 | 27.2 % | $ 21,959 | 29.3 % | $ 15,977 | 35.6 % |

Income tax expenses (benefits) included in the consolidated income statements represent the following:

| *(Expressed in thousands)* | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Current: | | | |
| U.S. federal tax | $ 17,794 | $ 9,502 | $ 10,355 |
| State and local tax | 6,498 | 2,289 | 2,618 |
| Non-U.S. operations | 386 | 290 | 231 |
| Total Current | 24,678 | 12,081 | 13,204 |
| Deferred: | | | |
| U.S. federal tax | 17,182 | 7,177 | 395 |
| State and local tax | 4,310 | 2,924 | 1,438 |
| Non-U.S. operations | (156) | (223) | 940 |
| Total Deferred | 21,336 | 9,878 | 2,773 |
| Total | $ 46,014 | $ 21,959 | $ 15,977 |

Pre-tax income with respect to Non-U.S. operations was $1.5 million for the years ended December 31, 2020. Pre-tax loss with respect to Non-U.S. operations was $4.9 million and $4.0 million for the years ended December 31, 2019 and 2018, respectively.

The effective income tax rate for the year ended December 31, 2020 was 27.2% compared with 29.3% for the year ended December 31, 2019. The lower effective tax rate for 2020 was primarily due to lower state and local income taxes, valuation allowance on foreign operations and other non-deductible expenses over higher pre-tax income in the current year compared to 2019.

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when such differences are expected to reverse. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2020 and 2019 were as follows:

| *(Expressed in thousands)* | As of December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Deferred tax assets: | | |
| Deferred compensation | $ 24,782 | $ 23,048 |
| Deferred rent and lease incentives | 9,951 | 10,026 |
| Net operating losses and credits | 8,664 | 7,931 |
| Receivable reserves | 1,290 | 1,389 |
| Accrued expenses | 407 | 1,367 |
| Auction rate securities reserves | 1,366 | 1,356 |
| Involuntary conversion | 1,693 | 1,678 |
| Other | 1,010 | 1,203 |
| Total deferred tax assets | 49,163 | 47,998 |
| Valuation allowance | 5,059 | 4,368 |
| Deferred tax assets after valuation allowance | 44,104 | 43,630 |
| Deferred tax liabilities: | | |
| Goodwill | 41,128 | 40,774 |
| Partnership investments | 32,978 | 16,163 |
| Company-owned life insurance | 13,037 | 10,028 |
| Depreciation | 1,552 | 110 |
| Other | 318 | 304 |
| Total deferred tax liabilities | 89,013 | 67,379 |
| Deferred tax liabilities, net | $ (44,909) | $ (23,749) |

The Company had deferred tax assets at December 31, 2020 of $3.2 million arising from net operating losses incurred by Oppenheimer Israel (OPCO) Ltd. The Company believes that realization of the deferred tax assets is more likely than not based on expectations of future taxable income in Israel. These net operating losses carry forward indefinitely and are not subject to expiration, provided that these subsidiaries and their underlying businesses continue operating normally (as is anticipated). As of December 31, 2020, the Company had deferred tax assets of $3.4 million arising from net operating losses incurred by Oppenheimer Europe Ltd and had recorded full valuation allowances as the Company believes it is more likely than not that the Company will not be able to realize its deferred tax assets in the future.

Goodwill arising from the acquisitions of Josephthal Group Inc. and the Oppenheimer Divisions was amortized for tax purposes on a straight-line basis over 15 years. The difference between book and tax is recorded as a deferred tax liability.

The Company or one or more of its subsidiaries files income tax returns in the U.S. federal jurisdiction and in various states and foreign jurisdictions. The Company has closed tax years through 2016 in the U.S. federal jurisdiction.

The Company has unrecognized tax benefits of $0.2 million, $1.1 million and $1.1 million as of December 31, 2020, 2019 and 2018, respectively (as shown on the table below). Included in the balance of unrecognized tax benefits as of December 31, 2020 and 2019 were $167,000 and $853,000 of tax benefits for either year that, if recognized, would affect the effective tax rate.

During the year ended December 31, 2020, the Company released $1.1 million in unrecognized tax benefits and added $0.2 million related to state and local tax matters. The Company does not believe any unrecognized tax benefit will significantly increase or decrease within twelve months. A reconciliation of the beginning and ending amount of unrecognized tax benefit follows:

| *(Expressed in thousands)* | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance at beginning of year | $ 1,079 | $ 1,079 | $ 1,079 |
| Additions for tax positions of prior years | 212 | — | — |
| Lapse in statute of limitations | — | — | — |
| Settlements with taxing authorities | (1,079) | — | — |
| Balance at end of year | $ 212 | $ 1,079 | $ 1,079 |

In its consolidated income statements, the Company records interest and penalties accruing on unrecognized tax benefits in pre-tax income as interest expense and other expense, respectively. For the year ended December 31, 2020, the Company released tax-related interest expense of $227,000 in its consolidated income statement. For the year ended December 31, 2019, the Company recorded tax-related interest expense of $87,000 in its consolidated income statement. As of December 31, 2020 and 2019, the Company had an income tax-related interest payable of $205,000 and $432,000, respectively, on its consolidated balance sheets.

## 16. Employee compensation plans

The Company maintains various employee compensation plans for the benefit of its employees. Two types of employee compensation are granted under share-based compensation and cash-based compensation plans.

### Share-based Compensation Plans

***Oppenheimer Holdings Inc. 2014 Incentive Plan***

On February 26, 2014, the Company adopted the Oppenheimer Holdings Inc. 2014 Incentive Plan (the "OIP"). Pursuant to the OIP, the Compensation Committee of the Board of Directors of the Company (the "Committee") is permitted to grant options to purchase Class A Stock ("stock options"), Class A Stock awards and restricted Class A Stock (collectively "restricted stock awards") to or for the benefit of employees and non-employee directors of the Company and its subsidiaries as part of their compensation. Stock options are generally granted for a five-year term and generally vest at the rate of 25% of the amount granted on the second anniversary of the grant, 25% on the third anniversary of the grant, 25% on the fourth anniversary of the grant and 25% six months before expiration. Restricted stock awards are generally awarded for a three or five year term and fully vest at the end of the term.

***Oppenheimer Holdings Inc. Stock Appreciation Right Plan***

Under the Oppenheimer Holdings Inc. Stock Appreciation Right Plan, the Company awards stock appreciation rights ("OARs") to certain employees as part of their compensation package based on a formula reflecting gross production and length of service. These awards are granted once per year in January with respect to the prior year's production. The OARs vest five years from grant date and settle in cash at vesting.

***Restricted stock*** - The Company has granted restricted stock awards pursuant to the OIP. The following table summarizes the status of the Company's non-vested restricted Class A Stock awards under the OIP for the year ended December 31, 2020:

| | Number of Class A Shares Subject to Restricted Stock Awards | Weighted Average Fair Value | Remaining Contractual Life |
|---|---|---|---|
| Nonvested at beginning of year | 1,534,278 | $ 20.34 | 1.4 years |
| Granted | 471,700 | 23.84 | 3.0 years |
| Vested | (623,981) | 17.91 | — |
| Forfeited | (53,120) | 22.89 | — |
| Nonvested at end of year | 1,328,877 | $ 22.63 | 1.9 years |

As of December 31, 2020, all outstanding restricted Class A Stock awards were non-vested. The aggregate intrinsic value of restricted Class A Stock awards outstanding as of December 31, 2020 was $41.8 million. During the year ended December 31, 2020, the Company included $7.7 million ($8.1 million in 2019 and $6.0 million in 2018) of compensation expense in its consolidated income statements relating to restricted Class A Stock awards.

As of December 31, 2020, there was $14.6 million of total unrecognized compensation cost related to unvested restricted Class A Stock awards. The cost is expected to be recognized over a weighted average period of 1.9 years.

As of December 31, 2020, the number of shares of Class A Stock available under the share-based compensation plans, but not yet awarded, was 1,279,118.

On January 28, 2021, the Company awarded a total of 571,940 restricted shares of Class A Stock to current employees pursuant to the OIP. Of these restricted shares, 293,690 shares will cliff vest in three years and 278,250 shares will cliff vest in five years. These awards will be expensed over the applicable three or five year vesting period.

***Stock options*** - The Company has granted stock options pursuant to the OIP. There were 14,209 and 14,974 options outstanding as of December 31, 2020 and 2019, respectively.

In the year ended December 31, 2020, the Company included $25,300 ($26,200 in 2019 and $26,500 in 2018) of compensation expense in its consolidated income statements relating to the expensing of stock options.

***OARs*** - The Company has awarded OARs pursuant to the Oppenheimer Holdings Inc. Stock Appreciation Right Plan. The following table summarizes the status of the Company's outstanding OARs awards as of December 31, 2020:

| Grant Date | Number of OARs Outstanding | Strike Price | Remaining Contractual Life | Fair Value as of December 31, 2020 |
|---|---|---|---|---|
| January 6, 2016 | 394,310 | $ 15.89 | 5 days | $ 15.54 |
| January 6, 2017 | 378,020 | 18.90 | 1 year | 13.37 |
| January 5, 2018 | 447,310 | 27.05 | 2 years | 8.79 |
| January 11, 2019 | 524,566 | 26.45 | 3 years | 9.31 |
| January 10, 2020 | 538,640 | 27.54 | 4 years | 9.14 |
| Total OARs Outstanding | 2,282,846 | | | |
| Total weighted average values | | $ 23.75 | 3.1 years | $ 10.91 |

The fair value as of December 31, 2020 for each of the OARs was estimated using the Black-Scholes model with the following assumptions:

| | Grant Date | | | | |
|---|---|---|---|---|---|
| | January 6, 2016 | January 6, 2017 | January 5, 2018 | January 11, 2019 | January 10, 2020 |
| Expected term (1) | 5 days | 1 year | 2 years | 3 years | 4 years |
| Expected volatility factor (2) | 8.018 % | 54.499 % | 43.200 % | 38.231 % | 35.748 % |
| Risk-free interest rate (3) | 0.015 % | 0.104 % | 0.121 % | 0.167 % | 0.265 % |
| Quarterly dividends (4) | $ 0.48 | $ 0.48 | $ 0.48 | $ 0.48 | $ 0.48 |

(1) The expected term was determined based on the remaining life of the actual awards.
(2) The volatility factor was measured using the weighted average of historical daily price changes of the Company's Class A Stock over a historical period commensurate to the expected term of the awards.
(3) The risk-free interest rate was based on periods equal to the expected term of the awards based on the U.S. Treasury yield curve in effect at December 31, 2020.
(4) Quarterly dividends were used to compute the expected annual dividend yield.

As of December 31, 2020, 2,282,846 of outstanding OARs were unvested and none were vested. As of December 31, 2020, the aggregate intrinsic value of OARs outstanding was $17.5 million. In the year ended December 31, 2020, the Company included $8.5 million ($3.7 million in 2019 and $650,000 in 2018) in compensation expense in its consolidated income statements relating to OARs awards. The liability related to the OARs was $15.4 million as of December 31, 2020. As of December 31, 2020, there was $9.5 million of total unrecognized compensation cost related to unvested OARs. The cost is expected to be recognized over a weighted average period of 3.1 years.

On January 11, 2021, 639,050 OARs were awarded to Oppenheimer employees related to fiscal 2020 performance. These OARs will be expensed over 5 years (the vesting period).

**Cash-based Compensation Plans**

***Defined Contribution Plan***

The Company, through its subsidiaries, maintains a defined contribution plan covering substantially all full-time U.S. employees. The Oppenheimer & Co. Inc. 401(k) Plan provides that Oppenheimer may make discretionary contributions. Eligible Oppenheimer employees could make voluntary contributions which could not exceed $19,500, $19,000 and $18,500 per annum in 2020, 2019 and 2018, respectively. The Company made contributions to the 401(k) Plan of $3.5 million, $2.4 million and $1.8 million in 2020, 2019 and 2018, respectively.

***Deferred Compensation Plans***

The Company maintains an Executive Deferred Compensation Plan ("EDCP") and a Deferred Incentive Plan ("DIP") in order to offer certain qualified high-performing financial advisors a bonus based upon a formula reflecting years of service, production, net commissions and a valuation of their clients' assets. The bonus amounts resulted in deferrals for fiscal 2020 of $10.0 million ($9.3 million in 2019 and $9.4 million in 2018). These deferrals normally vest after five years. The liability is being recognized on a straight-line basis over the vesting period. The EDCP also includes voluntary deferrals by senior executives that are not subject to vesting. The Company maintains a Company-owned life insurance policy, which is designed to hedge a portion of the EDCP obligation. The EDCP liability is being tracked against the value of a benchmark investment portfolio held for this purpose. As of December 31, 2020, the Company's liability with respect to the EDCP and DIP totaled $52.6 million and is included in accrued compensation on the consolidated balance sheet as of December 31, 2020.

In addition, the Company is maintaining a deferred compensation plan on behalf of certain employees who were formerly employed by CIBC World Markets. The Company hedges this deferred compensation obligation with a portfolio of mutual fund investments. As of December 31, 2020, the Company's liability with respect to this plan totaled $21.4 million.

The total amount expensed in 2020 for the Company's deferred compensation plans was $18.1 million ($19.4 million in 2019 and $6.1 million in 2018).

## 17. Commitments and contingencies

### Commitments

As of December 31, 2020, the Company had $40.0 million in equity commitments to provide bridge financing to a rental services company and a take-private transaction. Additionally, the Company had capital commitments of $1.2 million with respect to unfunded obligation in private equity funds sponsored by the Company.

As of December 31, 2020, the Company had no collateralized or uncollateralized letters of credit outstanding.

### Contingencies

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

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

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

For certain other legal and regulatory proceedings, the Company can estimate possible losses, or range of loss in excess of amounts accrued, but does not believe, based on current knowledge and after consultation with counsel, that such losses individually, or in the aggregate, will have a material adverse effect on the Company's 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 $5.0 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 some 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 materially more than the current estimate.

## 18. 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 December 31, 2020, the net capital of Oppenheimer as calculated under the Rule was $274.5 million or 22.47% of Oppenheimer's aggregate debit items. This was $250.1 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 December 31, 2020, Freedom had net capital of $4.9 million, which was $4.8 million in excess of the $100,000 required to be maintained at that date.

As of December 31, 2020, the capital required and held under the Capital Requirements Directive ("CRD IV") for Oppenheimer Europe Ltd. was as follows:

- Common Equity Tier 1 ratio 24.00% (required 4.5%);
- Tier 1 Capital ratio 24.00% (required 6.0%); and
- Total Capital ratio 32.00% (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 December 31, 2020, Oppenheimer Europe Ltd. is in compliance with its regulatory requirements.

As of December 31, 2020, the regulatory capital of Oppenheimer Investments Asia Limited was $3.2 million, which was $2.8 million in excess of the $386,917 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. As of December 31, 2020, Oppenheimer Investment Asia Limited was in compliance with its regulatory requirements.

## 19. Goodwill and intangibles

*Goodwill*

The Company's goodwill of $137.9 million resides in its PCD reporting unit. The Company performed its annual test for goodwill impairment as of December 31, 2020 and 2019, which did not result in any impairment charges for either period. At each annual goodwill impairment testing date, the PCD reporting unit had a fair value that was substantially in excess of its carrying value.

*Intangible Assets*

Indefinite intangible assets are comprised of trademarks, trade names and an Internet domain name. These intangible assets are carried at $32.1 million, are not amortized, and are subject to at least an annual test for impairment to determine if the estimated fair value is less than their carrying amount. Trademarks and trade names recorded as of December 31, 2020 and 2019 have been tested for impairment and it has been determined that no impairment has occurred. At each annual intangible assets impairment testing date, the trademarks and trade names had a fair value that was substantially in excess of their carrying value.

## 20. Segment information

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

The Company's reportable segments are:

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

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

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

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

The table below presents information about the reported revenue and pre-tax income (loss) of the Company for the years ended December 31, 2020, 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 Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **Revenue** | | | |
| Private client (1) | $ 642,083 | $ 653,409 | $ 617,871 |
| Asset management (1) | 130,274 | 88,755 | 71,696 |
| Capital markets | 426,752 | 290,830 | 272,719 |
| Corporate/Other | (442) | 385 | (4,132) |
| Total | $ 1,198,667 | $ 1,033,379 | $ 958,154 |
| **Pre-Tax Income (Loss)** | | | |
| Private client (1) | $ 122,844 | $ 163,917 | $ 149,097 |
| Asset management (1) | 71,625 | 31,606 | 18,590 |
| Capital markets | 83,442 | (13,724) | (13,416) |
| Corporate/Other | (108,911) | (106,887) | (109,402) |
| Total | $ 169,000 | $ 74,912 | $ 44,869 |

(1) Clients investing in the OAM advisory program are charged fees based on the value of AUM. Advisory fees were 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 years ended December 31, 2020, 2019 and 2018 was as follows:

| *(Expressed in thousands)* | For the Years Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Americas | $ 1,146,759 | $ 998,344 | $ 925,127 |
| Europe/Middle East | 45,767 | 31,599 | 29,292 |
| Asia | 6,141 | 3,436 | 3,735 |
| Total | $ 1,198,667 | $ 1,033,379 | $ 958,154 |

## 21. Subsequent events

On January 29, 2021, the Company announced a quarterly dividend in the amount of $0.12 per share, payable on February 26, 2021 to holders of Class A Stock and Class B Stock of record on February 12, 2021.

## 22. Quarterly information (unaudited)

*(Expressed in thousands, except per share amounts)*

| For the Year Ended December 31, 2020 | Fiscal Quarters Fourth | Third | Second | First | Year |
|---|---|---|---|---|---|
| Revenue | $ 422,908 | $ 276,259 | $ 264,730 | $ 234,770 | $ 1,198,667 |
| Expenses | 309,113 | 254,541 | 241,466 | 224,547 | 1,029,667 |
| Income before income taxes | 113,795 | 21,718 | 23,264 | 10,223 | 169,000 |
| Income taxes | 31,915 | 6,079 | 5,615 | 2,405 | 46,014 |
| Net income | $ 81,880 | $ 15,639 | $ 17,649 | $ 7,818 | $ 122,986 |
| Basic net income per share | $ 6.56 | $ 1.25 | $ 1.40 | $ 0.61 | $ 9.73 |
| Diluted net income per share | $ 6.17 | $ 1.19 | $ 1.34 | $ 0.58 | $ 9.30 |
| Dividends paid per share | $ 1.12 | $ 0.12 | $ 0.12 | $ 0.12 | $ 1.48 |
| Market price of Class A Stock (1) | | | | | |
| High | $ 33.21 | $ 26.11 | $ 24.42 | $ 28.38 | $ 33.21 |
| Low | $ 22.29 | $ 20.33 | $ 17.20 | $ 14.88 | $ 14.88 |

(1) The price quotations above were obtained from the New York Stock Exchange website.

*(Expressed in thousands, except per share amounts)*

| For the Year Ended December 31, 2019 | Fiscal Quarters Fourth | Third | Second | First | Year |
|---|---|---|---|---|---|
| Revenue | $ 295,881 | $ 234,793 | $ 250,935 | $ 251,770 | $ 1,033,379 |
| Expenses | 260,908 | 228,297 | 233,544 | 235,718 | 958,467 |
| Income before income taxes | 34,973 | 6,496 | 17,391 | 16,052 | 74,912 |
| Income taxes | 9,538 | 2,547 | 5,016 | 4,858 | 21,959 |
| Net income | $ 25,435 | $ 3,949 | $ 12,375 | $ 11,194 | $ 52,953 |
| Basic net income per share | $ 1.99 | $ 0.31 | $ 0.95 | $ 0.86 | $ 4.10 |
| Diluted net income per share | $ 1.83 | $ 0.29 | $ 0.89 | $ 0.81 | $ 3.82 |
| Dividends paid per share | $ 0.12 | $ 0.12 | $ 0.11 | $ 0.11 | $ 0.46 |
| Market price of Class A Stock (1) | | | | | |
| High | $ 29.25 | $ 31.30 | $ 27.42 | $ 28.73 | $ 31.30 |
| Low | $ 27.09 | $ 26.42 | $ 24.34 | $ 25.25 | $ 24.34 |

(1) The price quotations above were obtained from the New York Stock Exchange website.

## Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## Item 9A. CONTROLS AND PROCEDURES

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

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

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) that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting during the quarter ended December 31, 2020.

Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm are set forth in Part II, Item 8 of this Annual Report on Form 10-K.

Section 303A.12(a) CEO Certification

The Company submitted a Section 12(a) CEO Certification to the New York Stock Exchange on June 10, 2020 with respect to fiscal 2020.

Sarbanes-Oxley Act Section 302 CEO and CFO Certifications

The Company submitted the CEO and CFO Certifications required under Section 302 of the Sarbanes-Oxley Act as exhibits to its Annual Report on Form 10-K for the year ended December 31, 2019 and is submitting such Certifications for 2020 herewith.

## Item 9B. OTHER INFORMATION

None.

## PART III

### Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item will be contained under the caption "Election of Directors" in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders. Information about compliance with Section 16(a) of the Securities Exchange Act of 1934 required by this form will be contained under the caption "Executive Compensation and Related Information - Section 16(a) Beneficial Ownership Reporting Compliance" in that proxy statement. That information is incorporated herein by reference.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES, WHISTLEBLOWER POLICY AND COMMITTEE CHARTERS

A copy of the Company's Statement of Corporate Governance Practices and its Whistleblower Policy, as well as copies of the Charters of the Audit Committee, Compensation Committee, Compliance Committee and Nominating/Corporate Governance Committee, are posted on the Company's website at www.oppenheimer.com. These documents are available at no charge and can be requested by writing to the Company at its head office or by making an email request to info@opco.com.

CODE OF ETHICS

The Company has adopted a Code of Conduct and Business Ethics for Directors, Officers and Employees, which can be found on its website at www.oppenheimer.com. This document is available at no charge and can be requested by writing to the Company at its head office or by making an email request to info@opco.com. The Company will disclose any amendment or waiver to the Code of Conduct and Business Ethics for Directors, Officers and Employees on its website at www.oppenheimer.com.

### Item 11. EXECUTIVE COMPENSATION

The information required by this item will be contained under the caption "Executive Compensation and Related Information" in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item will be contained under the caption "Executive Compensation and Related Information - Security Ownership of Certain Beneficial Owners and Management" in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this item will be contained under the caption "Executive Compensation and Related Information - Certain Relationships and Related Party Transactions" under the sub-heading "Indebtedness of Directors and Executive Officers under (1) Securities Purchase and (2) Other Programs" in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

### Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item will be contained under the caption "Appointment of Independent Registered Public Accounting Firm – Principal Accounting Fees and Services" in our definitive Proxy Statement for the 2021 Annual Meeting of Stockholders and is incorporated herein by reference.

**PART IV**

**Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

(a) (i) Financial Statements
See Item 8 (pages 58 to 111)

(ii) Financial Statement Schedules
Not Applicable.

(iii) Listing of Exhibits
The exhibits which are filed with this Form 10-K or are incorporated herein by reference are set forth in the Exhibit Index (pages 115 to 116)

(b) Exhibits
See the Exhibit Index included hereinafter on pages 115 to 116

(c) Financial Statement Schedules excluded from the annual report to stockholders
None

**Item 15. FORM 10-K SUMMARY**

None

EXHIBIT INDEX

Unless there is a parenthetical indicating that such document has been filed herewith, the Exhibits listed below have been heretofore filed by the Company pursuant to Section 13 or 15(d) of the Exchange Act and are hereby incorporated herein by reference to the pertinent prior filing.

| Number | Description |
|---|---|
| 3.1 | Certificate of Incorporation of Oppenheimer Holdings Inc., a Delaware corporation (previously filed as an exhibit to Form 10-Q for the quarterly period ended June 30, 2009). |
| 3.2 | Amended and Restated By-Laws of Oppenheimer Holdings Inc. (filed herewith). |
| 4.1 | Indenture dated as of June 23, 2017 among Oppenheimer Holdings Inc., the subsidiary guarantors, The Bank of New York Mellon Trust Company, N.A., as Trustee and The Bank of New York Mellon Trust Company, as Collateral Agent (previously filed as an exhibit to Form 8-K dated June 23, 2017). |
| 4.3 | Registration Rights Agreement dated June 23, 2017 by and among Oppenheimer Holdings Inc., a Delaware corporation, E.A. Viner International Co., a Delaware corporation, Viner Finance Inc., a Delaware corporation and Oppenheimer & Co. Inc., as representative of the several Initial Purchasers (previously filed as an exhibit to Form 8-K dated June 23, 2017). |
| 10.1 | Assurance of Discontinuance, dated February 23, 2010, between the Attorney General of the State of New York and Oppenheimer & Co. Inc. (previously filed as an Exhibit to Form 8-K filed February 26, 2010). |
| 10.12 | Lease dated July 15, 2011 between 85 Broad Street LLC, Landlord and Viner Finance Inc., Tenant for premises at 85 Broad Street, New York, NY (previously filed as an exhibit to Form 10-Q for the quarterly period ended June 30, 2011). |
| 10.24 | Consent Order from the Commonwealth of Massachusetts Division of Securities dated February 26, 2010 (previously filed as an exhibit to Form 10-K for the year ended December 31, 2009). |
| 10.14 | Security Agreement by and among Oppenheimer Holdings Inc., as grantor, and each other grantor from time to time party thereto and the Bank of New York Mellon Trust Company, N.A., as Collateral Agent dated as of June 23, 2017 (previously filed as an exhibit to Form 8-K dated June 23, 2017). |
| 10.30 | First Amendment to Agreement of Lease dated January 29, 2013 between 85 Broad Street LLC, Landlord and Viner Finance Inc., Tenant for premises at 85 Broad Street, New York, NY (previously filed as an exhibit to Form 10-K for the year ended December 31, 2012). |
| 10.31 | Form of Indemnification Agreement between Oppenheimer Holdings Inc. and the directors of Oppenheimer Holdings Inc., as the Indemnified Party, dated as of October 25, 2012. (previously filed as an exhibit to Form 10-K for the year ended December 31, 2012). |
| 10.32 | Form of Indemnification Agreement between Oppenheimer Holdings Inc. and the officers of Oppenheimer Holdings Inc., as the Indemnified Party, dated as of October 25, 2012. (previously filed as an exhibit to Form 10-K for the year ended December 31, 2012). |
| 10.33 | Oppenheimer & Co. Inc. Executive Deferred Compensation Plan (As Amended and Restated Effective January 1, 2005) (As Further Amended and Restated with respect to Specific Elective Accounts Effective as of March 1, 2013) (previously filed as an exhibit to Form 10-K for the year ended December 31, 2012). |
| 10.34 | Oppenheimer Holdings Inc. 2014 Incentive Plan (previously filed as an exhibit to Form 10-K for the year ended December 31, 2013). |
| 10.37 | Amended and Restated Performance-Based Compensation Agreement between Oppenheimer Holdings Inc. and Albert G. Lowenthal effective as of May 11, 2015 (previously filed as an exhibit to form 10-K for the year ended December 31, 2017). |
| 10.38 | Oppenheimer & Co. Inc. 2019 Executive Deferred Compensation Plan (previously filed as an exhibit to form 10-K for the year ended December 31, 2018) |

| | |
|---|---|
| 10.2 | Offer of Settlement, dated February 22, 2010, between the Commonwealth of Massachusetts Division of Securities and Oppenheimer & Co. Inc., Albert Lowenthal, Robert Lowenthal and Greg White (previously filed as an Exhibit to Form 8-K filed February 26, 2010). |
| 21 | Subsidiaries of the registrant (filed herewith). |
| 22 | Subsidiary Guarantors and Issuers of Registered Senior Secured Notes |
| 23.1 | Consent of independent accountants (filed herewith). |
| 31.1 | Certification signed by A.G. Lowenthal (filed herewith). |
| 31.2 | Certification signed by Jeffrey J. Alfano (filed herewith). |
| 32.1 | Certification pursuant to 18 U.S.C. Section 1350 signed by A.G. Lowenthal (filed herewith). |
| 32.2 | Certification pursuant to 18 U.S.C. Section 1350 signed by Jeffrey J. Alfano (filed herewith). |
| 101 | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2020 and December 31, 2019, (ii) the Consolidated Income Statements for the three years ended December 31, 2020, 2019 and 2018, (iii) the Consolidated Statements of Comprehensive Income for the three years ended December 31, 2020, 2019 and 2018, (iv) the Consolidated Statements of Changes in Stockholders' Equity for the three years ended December 31, 2020, 2019 and 2018, (v) the Consolidated Statements of Cash Flows for the three years ended December 31, 2020, 2019 and 2018, and (vi) the notes to the 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 Section 13 or 15(d) 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 1st day of March, 2021.

OPPENHEIMER HOLDINGS INC.

BY: /s/ Jeffrey J. Alfano
Jeffrey J. Alfano, Chief Financial Officer
(on behalf of the Registrant)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ J.J. Alfano<br>J.J. Alfano | Chief Financial Officer<br>(Principal Financial and Accounting Officer) | March 1, 2021 |
| /s/ E. Behrens<br>E. Behrens | Director | March 1, 2021 |
| /s/ T. Dwyer<br>T. Dwyer | Director | March 1, 2021 |
| /s/ W. Ehrhardt<br>W. Ehrhardt | Director | March 1, 2021 |
| /s/ P. Friedman<br>P. Friedman | Director | March 1, 2021 |
| /s/ L. Roth<br>L. Roth | Director | March 1, 2021 |
| /s/ A.G. Lowenthal<br>A.G. Lowenthal | Chairman, Chief Executive Officer<br>(Principal Executive Officer), Director | March 1, 2021 |
| /s/ R.S. Lowenthal<br>R.S. Lowenthal | Director | March 1, 2021 |
| /s/ A.W. Oughtred<br>A.W. Oughtred | Director | March 1, 2021 |
| /s/ T. Glasser<br>T. Glasser | Director | March 1, 2021 |

Exhibit 3.2

# OPPENHEIMER HOLDINGS INC.

## BY-LAWS, as amended through February 25, 2021

## ARTICLE I

### General

**1.1 Offices**. The registered office of Oppenheimer Holdings Inc. (the "Company") shall be in the City of Wilmington, County of New Castle, State of Delaware. The Company may also have offices at such other places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Company may require.

**1.2 Seal**. The Company may have one or more different corporate seals, which the Board of Directors may from time to time adopt or change, on which the name of the Company shall appear.

**1.3 Fiscal Year**. The fiscal year of the Company shall be the period from January 1 through December 31 unless changed by resolution of the Board of Directors.

## ARTICLE II

### Stockholders

**2.1 Place of Meetings**. Each meeting of the stockholders shall be held upon notice as hereinafter provided, at such place, either within or without of the State of Delaware, or solely by means of remote communication as the Board of Directors shall have determined and as shall be stated in the relevant notice of meeting.

**2.2 Annual Meeting**. The annual meeting of the stockholders shall be held each year on such date and at such time as the Board of Directors may determine. At each annual meeting the stockholders entitled to vote shall elect such members of the Board of Directors as are standing for election, by plurality vote and they may transact such other corporate business as may properly be brought before the meeting. At the annual meeting any business may be transacted, irrespective of whether the notice calling such meeting shall have contained a reference thereto, except where notice is required by law, the Company's Certificate of Incorporation (as amended and in effect from time to time, the "Charter"), or these by-laws.

**2.3 Quorum**. At all meetings of the stockholders, the presence, in person or remotely or represented by proxy, of at least two (2) stockholders holding a majority in voting power of the stock issued and outstanding and entitled to vote, shall constitute a quorum requisite for the transaction of business except as otherwise provided by law, the Charter or these by-laws. Whether or not there is such a quorum at any meeting, the chairman of the meeting or the stockholders entitled to vote thereat, present in person or remotely or by proxy, by a majority vote, may adjourn the meeting from time to time without notice other than announcement at the meeting. If the adjournment is for more than thirty (30) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. At such adjourned meeting, at which the requisite amount of voting stock shall be represented, any business may be transacted that might have been transacted if the meeting had been held as originally called. The stockholders present in person or remotely or by proxy at a duly called meeting at which a quorum is present may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

**2.4 Right to Vote; Proxies**. Subject to the provisions of the Charter, each holder of a share or shares of capital stock of the Company having the right to vote at any meeting shall be entitled to one vote for each such share of stock held by him. Any stockholder entitled to vote at any meeting of stockholders may vote either in person by written ballot (including a ballot submitted by electronic transmission provided that any such electronic transmission either sets forth or is submitted with information from which it can be determined that the electronic transmission was authorized by the stockholder) or by proxy, but no proxy that is dated more than three years prior to the meeting at which it is offered shall confer the right to vote thereat unless the proxy provides that it shall be effective for a longer period. A proxy may be granted by a writing executed by the stockholder or his authorized agent or by transmission or authorization of transmission of an electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization, or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, subject to the conditions set forth in Section 212 of the General Corporation Law of the State of Delaware, as it may be amended from time to time (the "DGCL").

**2.5 Voting**. At all meetings of stockholders, except as otherwise expressly provided for by statute, the Charter or these by-laws, (i) in all matters other than the election of directors, the affirmative vote of a majority in voting power of shares present in person or represented by proxy at the meeting and entitled to vote on such matter shall be the act of the stockholders, and (ii) members of the Board of Directors, as are standing for election, shall be elected by a plurality vote.

**2.6 Notice of Annual Meetings**. Notice of the annual meeting of the stockholders shall be given, which shall state the time and place, if any, of the meeting, and the means of remote communication, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at such meeting, to each stockholder entitled to vote at such meeting at such address as appears on the stock books of the Company at least ten (10) days (and not more than sixty (60) days) prior to the meeting. The Board of Directors may postpone any annual meeting of the stockholders at its discretion, even after notice thereof has been mailed or provided by electronic transmission. It shall be the duty of every stockholder to furnish to the Secretary of the Company or to the transfer agent, if any, of the class of stock owned by him and his post-office or email address, and to notify the Secretary of any change therein. Notice need not be given to any stockholder who submits a written or electronic waiver of notice given by him before or after the time stated therein. Attendance of a stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written or electronic waiver of notice.

**2.8** **Stockholders' List**. A complete list of the stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order and showing the address of each stockholder, and the number of shares registered in the name of each stockholder, shall be prepared by the officer who has charge of the stock ledger and shall be open to examination of any stockholder, for any purpose germane to the meeting for a period of at least ten (10) days before such meeting (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during the ordinary business hours at the principal office of the Company. Said list shall be open to examination during the whole time of said meeting, at the place of said meeting, or, if the meeting held is by remote communication, on a reasonably accessible electronic network and the information required to access such list shall be provided with the notice of the meeting.

**2.8** **Special Meetings**. Special meetings of the stockholders for any purpose or purposes, unless otherwise provided by statute, may be called only by the Chairman of the Board of Directors, a majority of the Board of Directors, the Chief Executive Officer or the President. Any such person or persons may postpone any special meeting of the stockholders at its or their discretion, even after notice thereof has been mailed or provided by electronic transmission.

**2.9** **Notice of Special Meetings**. Notice of a special meeting of stockholders, in the form of a writing or electronic transmission, stating the time and place, if any, the means of remote communication, if any, and object thereof shall be given not less than ten (10) nor more than sixty (60) days before such meeting, to each stockholder entitled to vote at such meeting, at such address as appears on the books of the Company. No business may be transacted at such meeting except that referred to in said notice, or in a supplemental notice given also in compliance with the provisions hereof, or such other business as may be germane or supplementary to that stated in said notice or notices. Notice need not be given to any stockholder who submits a written or electronic waiver of notice signed by him before or after the time stated therein. Attendance of a stockholder at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice.

**2.10** **Inspectors**.

(a) If required by law, one or more inspectors shall be appointed by the Board of Directors in advance of any meeting of the stockholders to act at the meeting and make a written report thereof. If no inspector or alternate is able to act at a meeting of the stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at such meeting. Before discharging his duties as an inspector, each inspector shall take and sign an oath to execute his duties with strict impartiality and to the best of his ability. At the meeting for which the inspector or inspectors are appointed, he or they shall ascertain the number of shares outstanding and the voting power of each, determine the shares represented at the meeting and the validity of proxies and ballots, count all votes and ballots, retain for a reasonable period a record of the disposition of any challenges made to any determination by the inspectors and certify the determination of the shares represented and the count of all votes and ballots.

(b) At any time at which the Company has a class of voting stock that is (i) listed on a national securities exchange, or (ii) held of record by more than 2,000 stockholders, the provisions of Section 231 of the DGCL with respect to inspectors of election and voting procedures shall apply, in lieu of the provisions of paragraph (a) of this Section 2.10.

**2.11** **<u>Procedures</u>**. Nominations for the Board of Directors and other business may be brought before a meeting of stockholders solely by holders of those classes of stock entitled to voting rights as set forth in the Charter, and solely in accordance with the provisions of this Section 2.11. For such nominations for the Board of Directors or for such other business to be properly brought by a stockholder before a meeting of stockholders, the stockholder must first have given timely written notice thereof to the Secretary of the Company. To be timely, a notice of nominations or other business to be brought before an annual meeting of stockholders must be delivered to the Secretary not less than 90 nor more than 120 days prior to the first anniversary of the date of the Company's annual meeting of the preceding year, or if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary, such notice must be delivered not earlier than 90 days prior to such annual meeting and not later than the later of (i) 60 days prior to the annual meeting or (ii) 10 days following the date on which public announcement of the date of such annual meeting is first made by the Company. With respect to special meetings of stockholders, such notice must be delivered to the Secretary not more than 120 days prior to such meeting and not later than the later of (i) 90 days prior to such meeting or (ii) 10 days following the date on which public announcement of the date of such meeting is first made by the Company. Such notice must contain the name and address of the stockholder delivering the notice and a statement with respect to the amount of the Company's stock beneficially and/or legally owned by such stockholder, the nature of any such beneficial ownership of such stock, the beneficial ownership of any such stock legally held by such stockholder but beneficially owned by one or more others, and the length of time for which all such stock has been beneficially and/or legally owned by such stockholder, and information about each nominee for election as a director substantially equivalent to that which would be required in a proxy statement pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations promulgated by the Securities and Exchange Commission thereunder, and/or a description of the proposed business to be brought before the meeting, as the case may be.

The foregoing notice requirements of this Section 2.11 shall be deemed satisfied by a stockholder with respect to business other than a nomination if the stockholder has notified the Company of his, her or its intention to present a proposal at an annual meeting in compliance with applicable rules and regulations promulgated under the Exchange Act and such stockholder's proposal has been included in a proxy statement that has been prepared by the Company to solicit proxies for such annual meeting.

## ARTICLE III

## <u>Directors</u>

**3.1** **<u>Number of Directors</u>**.

(a) Except as otherwise provided by law, the Charter, or these by-laws, the property and business of the Company shall be managed by or under the direction of a Board of Directors. Directors need not be stockholders, residents of Delaware, or citizens of the United States. The use of the phrase "whole board" herein refers to the total number of directors which the Company would have if there were no vacancies.

(b) The number of directors constituting the whole Board of Directors shall be as determined by resolution of the Board of Directors from time to time, with a minimum of three (3) and a maximum of eleven (11) directors. Members of the Board of Directors shall hold office until their respective successors are elected and qualified or until their earlier death, incapacity, resignation, or removal.

**3.2** **Terms of Office**. The directors shall be elected by ballot at the annual meeting of the stockholders and each director shall be elected to serve until his successor shall be elected and shall qualify or until his earlier resignation or removal; provided that in the event of failure to hold such meeting or to hold such election at such meeting, such election may be held at any special meeting of the stockholders called for that purpose. If the office of any director becomes vacant by reason of death, resignation, disqualification, removal, or otherwise, the remaining directors, although more or less than a quorum, by a majority vote of such remaining directors may elect a successor or successors who shall hold office for the unexpired term.

**3.3** **Resignation**. Any director of the Company may resign at any time by giving notice in writing or by electronic transmission to the Chairman of the Board, the Chief Executive Officer, or the President of the Company. Such resignation shall take effect at the time specified therein, at the time of receipt if no time is specified therein and at the time of acceptance if the effectiveness of such resignation is conditioned upon its acceptance. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

**3.4** **Removal**. Any director or the entire Board of Directors may be removed, with or without cause, by the holders of a majority in voting power of the shares then entitled to vote at an election of directors.

**3.5** **Place of Meetings and Books**. The Board of Directors may hold their meetings and keep the books of the Company outside the State of Delaware, at such places or, in the case of meetings, by means of remote communication, as they may from time to time determine.

**3.6** **General Powers**. In addition to the powers and authority expressly conferred upon them by these by-laws, the Board of Directors may exercise all such powers of the Company and do all such lawful acts and things as are not by statute or by the Charter or by these by-laws directed or required to be exercised or done by the stockholders.

**3.7** **Committees**. The Board of Directors may designate one or more committees, each committee to consist of one or more of the directors of the Company. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. In the absence or disqualification of a member of the committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he, she or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member. Any such committee, to the extent permitted by law and to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the Company, and may authorize the seal of the Company to be affixed to all papers which may require it.

**3.8** **Compensation of Directors**. The Board of Directors shall have the power to fix the compensation of directors and members of committees of the Board and may delegate this authority to one or more committees. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or a stated salary as director. No such payment shall preclude any director from serving the Company in any other capacity and receiving compensation therefor. Members of special or standing committees may be allowed like compensation for attending committee meetings.

**3.10 Regular Meetings**. No notice shall be required for regular meetings of the Board of Directors for which the time and place or means of remote communication have been fixed. Written, oral, email, or any other mode of notice of the time and place or means of remote communication shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. Notice need not be given to any director who submits a written or electronic waiver of notice signed by him before or after the time stated therein. Attendance of any such person at a meeting shall constitute a waiver of notice of such meeting, except when he attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the directors need be specified in any written or electronic waiver of notice.

**3.10 Special Meetings**. Special meetings of the Board may be called by the Chairman of the Board, if any, or the Chief Executive Officer or the President, on two (2) days notice to each director; special meetings may also be called by the Secretary in like manner and on like notice, on the written request of two or more directors.

**3.11 Quorum**. At all meetings of the Board of Directors, a majority of the total number of directors in office (but not less than one-third of the number of directors established by the Board of Directors pursuant to Section 3.1 of these by-laws) shall be necessary and sufficient to constitute a quorum for the transaction of business, and the act of a majority of the directors present in person or via remote communication at any meeting at which there is a quorum shall be the act of the Board of Directors, except as may be otherwise specifically permitted or provided by statute, or by the Charter, or by these by-laws. If at any meeting of the Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time until a quorum is obtained, and no further notice thereof need be given other than by announcement at said meeting that shall be so adjourned.

**3.12 Telephonic and other Participation in Meetings**. Members of the Board of Directors or any committee designated by such board may participate in a meeting of the Board or committee by means of conference telephone or other audio or video communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

**3.13 Action by Consent**. Unless otherwise restricted by the Charter or these by-laws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if written consents or electronic transmissions thereto are signed or given by all members of the Board of Directors or of such committee, as the case may be, and such written consents or electronic transmissions are filed with the minutes of proceedings of the Board or committee.

## ARTICLE IV

## Officers

**4.1 Selection; Statutory Officers**. The officers of the Company shall be chosen by the Board of Directors. There shall be a Chief Executive Officer, a President, a Secretary, and a Treasurer, and there may be a Chairman of the Board of Directors, one or more Vice Chairmen, one or more Vice Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers as the Board of Directors may elect. Any number of offices may be held by the same person, except that the offices of President and Secretary shall not be held by the same person simultaneously.

**4.2** **<u>Time of Election</u>**. The officers above named shall be chosen by the Board of Directors at its first meeting after each annual meeting of stockholders. None of said officers need be a director.

**4.3** **<u>Additional Officers</u>**. The Board may appoint such other officers and agents as it shall deem necessary, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

**4.4** **<u>Terms of Office</u>**. Each officer of the Company shall hold office until his successor is chosen and qualified, or until his earlier resignation or removal. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Company by death, resignation, removal or otherwise shall be filled by the Board of Directors.

**4.5** **<u>Compensation of Officers</u>**. The Board of Directors shall have power to fix the compensation of all officers of the Company. It may authorize any officer, upon whom the power of appointing subordinate officers may have been conferred, to fix the compensation of such subordinate officers.

**4.6** **<u>Chairman of the Board</u>**. The Chairman of the Board of Directors shall preside at all meetings of the stockholders and directors, and shall have such other duties as may be assigned to him from time to time by the Board of Directors.

**4.7** **<u>Vice-Chairmen</u>**. The Vice-Chairmen shall perform such of the duties of the Chairman of the Board on behalf of the Company as may be respectively assigned to them from time to time by the Board of Directors or by the Chairman of the Board.

**4.8** **<u>Chief Executive Officer</u>**. Under the supervision of the Board of Directors, the Chief Executive Officer shall have the general control and management of its business and affairs, subject, however, to the right of the Board of Directors to confer any specific power, except such as may be by statute exclusively conferred to the Chief Executive Officer, upon any other officer or officers of the Company. The Chief Executive Officer shall perform and do all acts and things incident to the position of Chief Executive Officer and such other duties as may be assigned to him from time to time by the Board of Directors.

**4.9** **<u>President</u>**. Unless there is a Chairman of the Board or a Chief Executive Officer, the President shall preside at all meetings of directors and stockholders. Under the supervision of the Board of Directors, the President shall have the general supervision of the Company's business and affairs, subject, however, to the right of the Board of Directors to confer any specific power, except such as may be by statute exclusively conferred to the President, upon any other officer or officers of the Company. The President shall perform and do all acts and things incident to the position of President and such other duties as may be assigned to him from time to time by the Board of Directors or the Chief Executive Officer.

**4.10** **<u>Vice-Presidents</u>**. The Vice-Presidents shall perform such of the duties of the President on behalf of the Company as may be respectively assigned to them from time to time by the Board of Directors, the Chief Executive Officer or the President. The Board of Directors may assign to any Vice President the title of Executive Vice President, Senior Vice President or any other title selected by the Board of Directors.

**4.11 Treasurer**. The Treasurer shall have the care and custody of all the funds and securities of the Company that may come into his hands as Treasurer, and the power and authority to endorse checks, drafts and other instruments for the payment of money for deposit or collection when necessary or proper and to deposit the same to the credit of the Company in such bank or banks or depository as the Board of Directors, or the officers or agents to whom the Board of Directors may delegate such authority, may designate, and he may endorse all commercial documents requiring endorsements for or on behalf of the Company. He may sign all receipts and vouchers for the payments made to the Company. He shall render an account of his transactions to the Board of Directors as often as the Board or any applicable committee shall require the same. He shall enter regularly in the books to be kept by him for that purpose full and adequate account of all moneys received and paid by him on account of the Company. He shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors. He shall when requested, pursuant to a vote of the Board of Directors, give a bond to the Company conditioned for the faithful performance of his duties, the expense of which bond shall be borne by the Company.

**4.12 Secretary**. The Secretary shall keep the minutes of all meetings of the Board of Directors and of the stockholders; he shall attend to the giving and serving of all notices of the Company. Except as otherwise ordered by the Board of Directors or the Chief Executive Officer, he shall attest the seal of the Company upon all contracts and instruments executed under such seal and shall affix the seal of the Company thereto and to all certificates of shares of capital stock of the Company. He shall have charge of the stock certificate book, transfer book and stock ledger, and such other books and papers as the Board of Directors or the Chief Executive Officer may direct. He shall, in general, perform all the duties of Secretary, subject to the control of the Board of Directors.

**4.13 Assistant Secretary**. The Board of Directors or any two of the officers of the Company acting jointly may appoint or remove one or more Assistant Secretaries of the Company. Any Assistant Secretary upon his appointment shall perform such duties of the Secretary, and also any and all such other duties as the Board of Directors or the Chief Executive Officer, the President or the Executive Vice-President or the Treasurer or the Secretary may designate.

**4.14 Assistant Treasurer**. The Board of Directors or any two of the officers of the Company acting jointly may appoint or remove one or more Assistant Treasurers of the Company. Any Assistant Treasurer upon his appointment shall perform such of the duties of the Treasurer, and also any and all such other duties as the Board of Directors, the Chief Executive Officer, or the President or the Executive Vice-President or the Treasurer or the Secretary may designate.

**4.15 Subordinate Officers**. The Board of Directors may select such subordinate officers as it may deem desirable. Each such officer shall hold office for such period, have such authority, and perform such duties as the Board of Directors may prescribe. The Board of Directors may, from time to time, authorize any officer to appoint and remove subordinate officers and to prescribe the powers and duties thereof.

## ARTICLE V

## Stock

**5.1** **Stock**. The shares of the Company's stock may be certificated or uncertificated and shall be entered in the books of the Company and registered as they are issued. Any certificates representing shares of stock shall be in such form as the Board of Directors shall prescribe, certifying the number and class and/or series of shares of the stock of the Company owned by the stockholder. Any certificate issued to a stockholder of the Company shall be numbered and shall certify the holder's name and number and class and/or series of shares and shall be signed by both of (i) any one of the Chairman or Vice Chairman, President or a Vice-President, and (ii) any one of the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary, and shall be sealed with the corporate seal of the Company and any and all signatures on the certificate, including the corporate seal may be facsimiles. If such certificate is countersigned (1) by a transfer agent other than the Company or its employee, or (2) by a registrar other than the Company or its employee, any or all of the signatures on the certificate, including the certificate of the transfer agent and registrar, and the corporate seal may be facsimiles. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the Company, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the Company, such certificate or certificates may nevertheless be adopted by the Company and be issued and delivered as though the person or persons who signed such certificate or whose facsimile signature shall have been used thereon had not ceased to be such officer or officers of the Company.

**5.2** **Fractional Share Interests**. The Company may, but shall not be required to, issue fractions of a share. If the Company does not issue fractions of a share, it shall (i) arrange for the disposition of fractional interests by those entitled thereto, (ii) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such fractions are determined, or (iii) issue scrip or warrants in registered or bearer form that shall entitle the holder to receive a certificate for a full share upon the surrender of such scrip or warrants aggregating a full share. A certificate for a fractional share shall or an uncertificated fractional share shall, but scrip or warrants shall not unless otherwise provided therein, entitle the holder to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Company in the event of liquidation. The Board of Directors may cause scrip or warrants to be issued subject to the conditions that they shall become void if not exchanged for certificates representing full shares or uncertificated full shares before a specified date, or subject to the conditions that the shares for which scrip or warrants are exchangeable may be sold by the Company and the proceeds thereof distributed to the holders of scrip or warrants, or subject to any other conditions that the Board of Directors may impose.

**5.3** **Transfers of Stock**. Subject to any transfer restrictions then in force, the shares of stock of the Company shall be transferable only upon its books by the holders thereof in person or by their duly authorized attorneys or legal representatives and upon such transfer the old certificates, if any, shall be surrendered to the Company by the delivery thereof to the person in charge of the stock and transfer books and ledgers or to such other person as the directors may designate by whom they shall be canceled and new certificates, if any, shall thereupon be issued. The Company shall be entitled to treat the holder of record of any share or shares of stock as the holder in fact thereof and accordingly shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof save as expressly provided by the laws of Delaware.

**5.4** **Record Date**. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion, or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, that shall not be more than sixty (60) days nor less than ten (10) days before the date of such meeting, nor more than sixty (60) days prior to any other action. If no such record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held; and the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

**5.5** **Transfer Agent and Registrar**. The Board of Directors may appoint one or more transfer agents or transfer clerks and one or more registrars and may require all certificates of stock to bear the signature or signatures of any of them.

**5.6** **Dividends**.

(a) Power to Declare. Dividends upon the capital stock of the Company, subject to the provisions of the Charter, if any, may be declared by the Board of Directors at any regular or special meeting, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Charter and the laws of Delaware.

(b) Reserves. Before payment of any dividend, there may be set aside out of any funds of the Company available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Company, or for such other purpose as the directors shall think conducive to the interest of the Company, and the directors may modify or abolish any such reserve in the manner in which it was created.

**5.7** **Lost, Stolen, or Destroyed Certificates**. No certificates for shares of stock of the Company shall be issued in place of any certificate alleged to have been lost, stolen, or destroyed, except upon production of such evidence of the loss, theft, or destruction and upon indemnification of the Company and its agents to such extent and in such manner as the Board of Directors may from time to time prescribe.

## ARTICLE VI

## Miscellaneous Management Provisions

**6.2** **Checks, Drafts, and Notes**. All checks, drafts, or orders for the payment of money, and all notes and acceptances of the Company shall be signed by such officer or officers, or such agent or agents, as the Board of Directors may designate.

**6.2** **Notices**.

(a) Notices to directors may, and notices to stockholders shall, be in writing and (i) delivered personally, (ii) mailed to the directors or stockholders at their addresses appearing on the books of the Company or (iii) delivered by a form of electronic transmission which is consented to by the stockholder or the director to whom the notice is given. Notice by mail shall be deemed to be given at the time when the same shall be mailed. Notice by electronic transmission shall be deemed to be given (i) if by facsimile telecommunication, when directed to a number at which the stockholder or the director has consented to receive notice, (ii) if by electronic mail, when directed to an electronic mail address at which the stockholder or the director has consented to receive notice, (iii) if a posting on an electronic network together with a separate notice to the stockholder or the director of such specified posting, upon the later of (A) such posting and (B) the giving of such separate notice and (iv) if by any other form of electronic transmission, when directed to the stockholder or the director. Notice to directors may also be given by telegram, telecopy, email or orally, by telephone or in person.

(b) Whenever any notice is required to be given under the provisions of any applicable statute or of the Charter or of these by-laws, a waiver of notice, given by the person or persons entitled to said notice, or a waiver of notice by electronic transmission by the person or persons entitled to said notice, whether before or after the time stated therein or the meeting or action to which such notice relates, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

**6.3** **Conflict of Interest**. No contract or transaction between the Company and one or more of its directors or officers, or between the Company and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the Board of Directors or board committee that authorized the contract or transaction, or solely because his or their votes are counted for such purpose, if: (i) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the Board of Directors or the committee and the board or committee in good faith authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or (ii) the material facts as to the director's or officer's relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders of the Company entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of such stockholders; or (iii) the contract or transaction is fair as to the Company as of the time it is authorized, approved, or ratified, by the Board of Directors, a committee or the stockholders. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee that authorizes the contract or transaction.

**6.4 Voting of Securities owned by the Company**. Subject always to the specific directions of the Board of Directors, (i) any shares or other securities issued by any other corporation and owned or controlled by the Company may be voted in person at any meeting of security holders of such other corporation by the Chief Executive Officer or the President of the Company if he is present at such meeting, or in his absence by the Treasurer or the Secretary of the Company if he is present at such meeting, and (ii) whenever, in the judgment of the Chief Executive Officer or President, it is desirable for the Company to execute a proxy or written consent in respect to any shares or other securities issued by any other corporation and owned by the Company, such proxy or consent shall be executed in the name of the Company by the Chief Executive Officer or President, without the necessity of any authorization by the Board of Directors, affixation of corporate seal or countersignature or attestation by another officer, provided that if the Chief Executive Officer or President is unable to execute such proxy or consent by reason of sickness, absence from the United States or other similar cause, the Treasurer, the Secretary or any other officer authorized by the Board of Directors may execute such proxy or consent. Any person or persons designated in the manner above stated as the proxy or proxies of the Company shall have full right, power and authority to vote the shares or other securities issued by such other corporation and owned by the Company the same as such shares or other securities might be voted by the Company.

## ARTICLE VII

## Indemnification

**7.1 Right to Indemnification**. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of being or having been a director or officer of the Company or serving or having served at the request of the Company as a director, trustee, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (an "Indemnitee"), whether the basis of such proceeding is alleged action or failure to act in an official capacity as a director, trustee, officer, employee or agent or in any other capacity while serving as a director, trustee, officer, employee or agent, shall be indemnified and held harmless by the Company to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Company to provide broader indemnification rights than permitted prior thereto) (as used in this Article VII, the "Delaware Law"), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith and such indemnification shall continue as to an Indemnitee who has ceased to be a director, trustee, officer, employee, or agent and shall inure to the benefit of the Indemnitee's heirs, executors, and administrators; provided, however, that, except as provided in Section 7.2 hereof with respect to Proceedings to enforce rights to indemnification, the Company shall indemnify any such Indemnitee in connection with a Proceeding (or part thereof) initiated by such Indemnitee only if such Proceeding (or part thereof) was authorized by the Board of Directors of the Company. The right to indemnification conferred in this Article VII shall be a contract right and shall include the right to be paid by the Company the expenses (including attorneys' fees) incurred in defending any such Proceeding in advance of its final disposition (an "Advancement of Expenses"); provided, however, that, if the Delaware Law so requires, an Advancement of Expenses incurred by an Indemnitee shall be made only upon delivery to the Company of an undertaking (an "Undertaking"), by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "Final

Adjudication”) that such Indemnitee is not entitled to be indemnified for such expenses under this Article VII or otherwise.

**7.2 Right of Indemnitee to Bring Suit**. If (a) a claim for indemnification under Section 7.1 hereof (following the final disposition of such Proceeding) is not paid in full by the Company within sixty (60) days after a written claim has been received by the Company, or (b) a claim for an Advancement of Expenses under Section 7.1 hereof is not paid in full by the Company within twenty (20) days after the written claim has been received by the Company, the Indemnitee may at any time thereafter bring suit against the Company to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Company to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the Indemnitee shall be entitled to be paid also the expense of prosecuting or defending such suit to the fullest extent permitted by law. In (i) any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an Advancement of Expenses) it shall be a defense that, and (ii) in any suit by the Company to recover an Advancement of Expenses pursuant to the terms of an Undertaking the Company shall be entitled to recover such expenses upon a Final Adjudication that, the Indemnitee has not met the applicable standard of conduct set forth in the Delaware Law. Neither the failure of the Company (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the Delaware Law, nor an actual determination by the Company (including its Board of Directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an Advancement of Expenses hereunder, or by the Company to recover an Advancement of Expenses pursuant to the terms of an Undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such Advancement of Expenses, under this Article VII or otherwise shall be on the Company.

**7.3 Non-Exclusivity of Rights**. The rights to indemnification and to the Advancement of Expenses conferred in this Article VII shall not be exclusive of any other right that any person may have or hereafter acquire under any statute, the Charter, by-law, agreement, vote of stockholders or disinterested directors or otherwise.

**7.4 Insurance**. The Company may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Company or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Company would have the power to indemnify such person against such expense, liability or loss under this Article VII or under the Delaware Law.

**7.5 Indemnification of Employees and Agents of the Company**. The Company may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, and to the Advancement of Expenses, to any employee or agent of the Company or any of its subsidiaries to the fullest extent of the provisions of this Article VII with respect to the indemnification and Advancement of Expenses of directors and officers of the Company.

**7.6 Amendment or Repeal**. Any repeal or modification of the provisions of this Article VII shall not adversely affect any right or protection hereunder of any Indemnitee in respect of any proceeding (regardless of when such proceeding is first threatened, commenced or completed) arising out of, or related to, any act or omission occurring prior to the time of such repeal or modification.

## ARTICLE VIII

## AMENDMENTS

**8.1 Amendments**. The by-laws of the Company may be altered, amended or repealed by the Board of Directors or by the stockholders at any meeting of the stockholders by the vote of the holders of the majority of the stock issued and outstanding and entitled to vote at such meeting, in accordance with the provisions of the Charter and the laws of Delaware.

EXHIBIT 21

**Subsidiaries of Oppenheimer Holdings Inc.**
**As of December 31, 2020**

Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of certain other subsidiaries of Oppenheimer are omitted because, considered in the aggregate as a single subsidiary, they would not constitute a "significant subsidiary" as that term is defined in Rule 1-02(w) of Regulation S-X under the Securities Exchange Act of 1934.

| **Company** | **Jurisdiction of Incorporation or Formation** |
|---|---|
| Oppenheimer & Co. Inc. | Delaware |
| E.A. Viner International Co. | Delaware |
| Oppenheimer Asset Management Inc. | New York |
| Oppenheimer Europe Ltd. | United Kingdom |

**Exhibit 22**

Subsidiary Guarantors and Issuers of Registered Senior Secured Notes

Oppenheimer Holdings, Inc. has Senior Secured Notes that are jointly and severally and fully and unconditionally guaranteed on a senior secured basis by the following subsidiaries of the Company:

| **Entity** | **5.50% Senior Secured Notes due 2025** |
|---|---|
| Oppenheimer Holdings, Inc. | Issuer |
| E.A. Viner International Co. | Guarantor |
| Viner Finance, Inc. | Guarantor |

EXHIBIT 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement on Form S-3 (No. 333-249433), Form S-4 (No. 333-249423), Form S-8 (Nos. 333-129385, 333-129387, 333-129389, 333-129390, 333-157686, 333-135064, 333-146989, 333-146990, 333-157686,333-180979, 333-195951, 333-217824 and 333-238190) of our reports dated March 1, 2021, relating to the financial statements and financial statement schedules of Oppenheimer Holdings Inc. and subsidiaries (the “Company”) and the effectiveness of the Company’s internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP
New York, NY
March 1, 2021

EXHIBIT 31.1

# CERTIFICATION

I, Albert G. Lowenthal, certify that:

1. I have reviewed this annual report on Form 10-K of Oppenheimer Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Albert G. Lowenthal

Name: Albert G. Lowenthal

Title: Chief Executive Officer

March 1, 2021

EXHIBIT 31.2

CERTIFICATION

I, Jeffrey J. Alfano, certify that:

1. I have reviewed this annual report on Form 10-K of Oppenheimer Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ Jeffrey J. Alfano

Name: Jeffrey J. Alfano

Title: Chief Financial Officer

March 1, 2021

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned, Albert G. Lowenthal, Chairman and Chief Executive Officer of Oppenheimer Holdings Inc. (the “Company”), hereby certifies that to his knowledge the Annual Report on Form 10-K for the year ended December 31, 2020 of the Company filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period specified.

Signed at New York, New York, this 1st day of March, 2021.

/s/ Albert G. Lowenthal
Albert G. Lowenthal
Chairman and Chief Executive Officer

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

The undersigned, Jeffrey J. Alfano, Chief Financial Officer of Oppenheimer Holdings Inc. (the “Company”), hereby certifies that to his knowledge the Annual Report on Form 10-K for the year ended December 31, 2020 of the Company filed with the Securities and Exchange Commission on the date hereof (the “Report”) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period specified.

Signed at New York, New York, this 1st day of March, 2021.

/s/ Jeffrey J. Alfano
Jeffrey J. Alfano
Chief Financial Officer