

## PART 2A OF FORM ADV: FIRM BROCHURE

### ITEM 1. COVER PAGE

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June 15, 2016

This brochure (the “Brochure”) provides information about the qualifications and business practices of Oppenheimer & Co. Inc. If you have any questions about the contents of this Brochure, please contact James Capezzuto at [james.capezzuto@opco.com](mailto:james.capezzuto@opco.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Oppenheimer & Co. Inc. also is available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC as an investment adviser does not imply a certain level of skill or training.

## ITEM 2. MATERIAL CHANGES

This summary includes only changes deemed to be material by Oppenheimer & Co. Inc.

Oppenheimer & Co. Inc. (“Oppenheimer”) filed its most recent annual update to its Form ADV Part 2A on March 22, 2016.

The changes made to this Brochure on the June 2, 2016 amendment were updates in the Item 9 disclosures were updated.

Changes made to this Brochure on June 15, 2016 are as follows:

Item 5 has been amended regarding fees being rounded up or down to the nearest basis point and different data feeds for the account statements and for PORT.

Item 9 was amended to include the following:

On June 7, 2016, Oppenheimer signed an AWC with FINRA in which FINRA alleged the firm sold leveraged, inverse and inverse-leveraged exchange-traded funds (non-traditional ETFs) to retail customers without reasonable supervision, and recommended non-traditional ETFs that were not suitable.

FINRA found the firm did not establish an adequate supervisory system to monitor the holding periods for non-traditional ETFs. The firm failed to employ any surveillance or exception reports to effectively monitor the holding periods for non-traditional ETFs, so certain retail customers held non-traditional ETFs in their accounts for weeks, months and sometimes years, resulting in substantial losses.

Item 12 has been amended with the addition regarding Payment for Order Flow, including options.

You may request the most recent version of this brochure by contacting James Capezzuto at [james.capezzuto@opco.com](mailto:james.capezzuto@opco.com).

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#### ITEM 4. ADVISORY BUSINESS

Oppenheimer & Co. Inc. (“Oppenheimer”) is a registered investment adviser and registered broker-dealer. Oppenheimer and its predecessor companies have been in business since 1881 and Oppenheimer has been a registered investment adviser since 1955. Oppenheimer is owned directly by Viner Finance Inc., an indirect subsidiary of Oppenheimer Holdings Inc., which is a publicly held company.

Oppenheimer offers a variety of advisory services on a discretionary or non-discretionary basis and investment consulting services.

Oppenheimer is the sponsor of the following advisory and wrap fee programs:

- Fahnestock Asset Management (“FAM”)
- Alpha Advisory Program (“Alpha”)
- OMEGA Services Program (“OMEGA”)
- Preference Advisory Programs (“Preference”)
- Portfolio Advisory Service Financial Advisor Discretion Program (“PAS Directed”)
- Investment Consulting and Execution Services

This brochure provides information about the FAM, Alpha and Investment Consulting and Execution Services programs. Information about the OMEGA Services program, the Preference Advisory Program, and PAS Directed, which are wrap fee programs, is provided in Part 2A Appendix 1, a separate brochure.

Oppenheimer accepts discretionary authority to manage securities accounts for clients. This authority is stated in the investment management agreement that Oppenheimer enters into with the client. Clients may specify certain types of securities that they do not want us to purchase for their account and may limit discretion.

Fahnestock Asset Management FAM is an advisory program in which Financial Advisors of Oppenheimer provide discretionary and non-discretionary investment management services for equity, balanced and fixed income portfolios.

##### Alpha Advisory Program - Alpha

Alpha is an advisory program in which Financial Advisors of Oppenheimer provide discretionary investment management services for equity, balanced and fixed income portfolios.

##### Consulting Services

Oppenheimer provides non-discretionary investment consulting services to institutional clients and unaffiliated advisors. These services include the following:

- Development or updating of an investment policy statement
- Development of asset allocation strategy or model
- Identification and monitoring of portfolio managers
- Performance reporting

### Retirement Services

Oppenheimer provides non-discretionary and discretionary services to fiduciaries of qualified retirement plans. These services include the following:

Review of plan documents

Development of an investment policy statement

Review of mutual funds offered in the plan

Non-discretionary advice on fund selection

Performance reporting

Educational seminars for plan participants

Oppenheimer's consulting services do not include custodial services from Oppenheimer.

Oppenheimer does not introduce portfolio managers affiliated with Oppenheimer to clients who enter into a consulting services agreement.

### Oppenheimer Activist Partners LP

Oppenheimer serves as the managing member of OPCO PE LLC which owns Oppenheimer Activist LLC, the general partner of Oppenheimer Activist Partners LP, a Delaware limited partnership organized in September 2005 to operate as a private investment partnership.

### Assets under Management

With respect to the advisory services described in this brochure, as of December 31, 2015 Oppenheimer managed \$5,475,294,393 of client assets on a discretionary basis and approximately \$10,044,570,610 of client assets on a non-discretionary basis (including assets for which consulting and retirement services are provided). Assets for which consulting and retirement services are provided are not included in Oppenheimer's assets under management in Item 5F of Part 1A of Form ADV.

## **ITEM 5. FEES AND COMPENSATION**

Clients in any of the programs described below that pay management fees in advance and terminate their agreement may receive a pro rata refund of fees. Clients may contact their Branch Office Manager to initiate the refund process.

Oppenheimer periodically reviews the fees charged its advisory clients, and makes adjustments to ensure fees are in accordance with the fee schedules described in this brochure. The adjusted fees may be rounded up or down to the nearest basis point.

Advisory fees may be calculated based upon a different data feed than that used to generate account statements. The data feed may differ in its treatment of factors such as accrued interest and trades pending settlement.

### FAM Separate Account Fees

FAM Existing Relationships

FAM accounts for existing relationships are charged fees based on a percentage of the value of assets in the portfolio and commissions for the execution of portfolio transactions.

The asset based portion of the fee for equity and balance portfolios is as follows:

1.00% on the first \$10,000,000 of assets  
0.75% on the next \$5,000,000 of assets  
0.50% on all assets over \$20,000,000

Fees are negotiable based on the size of the account, the client's overall relationship with Oppenheimer, the level of client service and the discretion of the client's Financial Advisor. Commission rates may be discounted. If commission rates are discounted for an account then the fees may be increased by 0.25% to 0.50% depending on the size of the account. Commission rates may be discounted from the standard rates solely at the discretion of Oppenheimer and discounts may be revoked or reapplied at any time by Oppenheimer.

The asset based portion of the fee for fixed income accounts is as follows:

0.50% for assets up to \$10,000,000  
0.40% on the next \$10,000,000  
0.30% on the next \$30,000,000

Fees for equity, balance and fixed FAM accounts are paid quarterly in advance.

#### New FAM Relationships

Effective April 1, 2015, new FAM relationships are charged fees based on a percentage of the value of the assets in the portfolio with the maximum fee of 1.50%.

#### Alpha Separate Account Charges

Oppenheimer is compensated for the advisory and other services provided for Alpha accounts by the payment of brokerage commissions and ticket and/or handling charges on securities transactions executed by Oppenheimer. The standard commission table is provided by the Financial Advisor at the inception of an account. Commission rates may be discounted from the standard rates solely at the discretion of Oppenheimer and discounts may be revoked or reapplied at any time by Oppenheimer.

#### Consulting Services and Retirement Services

Fees for Consulting Services and Retirement Services vary based on the size and nature of the account and the type and extent of services provided. Fees may be charged as a percentage of assets in the account and may range up to 1.00% of assets per year. Clients may elect to pay a hard dollar amount per year starting at \$10,000. Fees may be payable in advance or in arrears and may be payable on a monthly or quarterly basis. Fees charged in advance will be refunded on a pro rata basis if the agreement is cancelled during the billing period.

Clients can choose to pay Oppenheimer's fees out of their assets or to have Oppenheimer send them a bill for services. FAM accounts are generally billed or have fees deducted once every quarter in advance. We charge commissions on FAM and existing Alpha accounts at the time that securities transactions are executed. For certain FAM accounts, more than 50% of the revenue may result from commissions.

The fees for FAM accounts do not include the fees and charges of any custodian, other than Oppenheimer, selected by the client or certain charges associated with securities transactions that may be imposed by regulatory authorities ADR agency processing fees, margin interest, odd-lot differentials SEC and Exchange fees and transfer taxes and any other charges imposed by law.

Alpha accounts may include closed-end and open end mutual funds and exchange traded funds. Assets held in these funds are subject to various fees and expenses paid including share class related fees to the fund and ultimately borne by the investor. These fees will be in addition to and not offset against the fees and commissions charged for the Alpha account. Investors should review and consider these additional fees carefully.

Oppenheimer Financial Advisors receive a portion of the fees paid by clients to Oppenheimer for FAM accounts or Consulting and Retirement Services. Oppenheimer Financial Advisors also receive a portion of the commissions paid by clients to Oppenheimer in FAM and Alpha accounts. Financial Advisors who provide investment advisory services under a commission or fee plus commission based advisory program face a conflict of interest because the Financial Advisor receives a portion of the commissions charged and may have an incentive to trade the account more frequently. The Financial Advisor's Branch Manager reviews the level of trading in a commission based account.

When choosing an advisory program, clients should ask about other programs offered by Oppenheimer. As there are differences in compensation structure among programs, there also are differences in the strategies and services provided. For example, the OMEGA program has specific investment guidelines. Financial Advisors may recommend the Alpha program to investors who want their account to be more concentrated or to engage in short selling strategies, which are not permitted in OMEGA accounts. FAM and Alpha are programs in which the Financial Advisors of Oppenheimer provide discretionary (and non-discretionary, in the case of FAM) management services. Information about the OMEGA Services program, the Preference Advisory Program, and PAS Directed is provided in a separate brochure. Oppenheimer Asset Management Inc., an affiliate of Oppenheimer, offers programs that provide management services from a variety of affiliated and unaffiliated portfolio managers and managers of mutual funds. Branch Managers review and approve each advisory account for suitability before it is opened and review trading activity in advisory accounts that are managed on a discretionary basis by Financial Advisors including trading volume in the Financial Advisor directed accounts. The product management group reviews certain aspects of portfolio management and trading for FAM and Alpha accounts.

#### Cash Sweep Funds in all Advisory Programs

Cash balances in the advisory programs sponsored by Oppenheimer are invested automatically in deposit accounts ("Deposit Accounts") at certain participating banks in the Advantage Bank Deposit Program. Oppenheimer will receive a fee from each participating bank. The amount of

the fee paid to Oppenheimer will affect the interest rate paid on Deposit Accounts. Please see Item 14 ‘Client Referrals and Other Compensation’ for additional information.

The fee payable to Oppenheimer may be as high as 5% of the household balances invested in the Advantage Bank Deposit Program. Oppenheimer will waive the payment of any fee from each Deposit Bank for retirement plan accounts.

#### Opco Activist Partners LP

As a management company to Opco Activist Partners LP, Oppenheimer receives quarterly compensation in the amount of 0.25% of each limited partner’s beginning account balance (1.0% per annum) of the Fund. In addition, investors will be subject to an incentive allocation of 5% of profits subject to a high water mark.

### **ITEM 6. PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

Although there are no performance based fee arrangements in the Financial Advisor directed programs, certain Oppenheimer Financial Advisors may manage Alpha accounts according to a long/short strategy alongside Omega accounts. Accounts in the OMEGA program are long only and therefore this may pose a related conflict.

### **ITEM 7. TYPES OF CLIENTS**

Oppenheimer provides advice to individuals, corporations, trusts, pension and profit sharing plans, charitable organizations and individual retirement accounts. There is no minimum account size for FAM and Alpha accounts or for Retirement Services or Consulting Services accounts.

### **ITEM 8. METHODS OF ANALYSIS, INVESTMENT, STRATEGIES AND RISK OF LOSS**

#### Consulting Services and Retirement Services

The Consulting Services program provides non-discretionary and the Retirement Services advisory program may provide non-discretionary investment consulting services for client assets that are not custodied at Oppenheimer. Services are provided by Oppenheimer Financial Advisors under the supervision of the product supervisor. Financial Advisors must submit an application to become eligible to provide Consulting Services or discretionary Retirement Services to clients. The application must be approved by the Financial Advisor’s Branch Manager and the product supervisor of Consulting Services or Retirement Services. Approval is based on a review of the Financial Advisor’s investment consulting experience. Continuing education regarding investment consulting is generally required on an ongoing basis for each Financial Advisor.

Before enrolling in the Consulting Services program, clients must complete a questionnaire. The questionnaire for individuals gathers personal and financial information including investment experience, current asset allocation, risk tolerance and goals. The questionnaire for institutional and trust clients gathers information regarding tax status, purpose, goals, risk tolerance, investment policy, current asset allocation, and cash flow. The questionnaires also gather information about the custodian(s) for the client’s assets, and the disposition of those assets. Financial Advisors make investment recommendations based on the needs of each client.



Financial Advisors review existing investment policies, and if appropriate, develop the policies with the client to set guidelines for asset allocation and investment manager performance selection and retention criteria.

Investment strategies for clients may vary by Financial Advisor and include strategic asset allocation and tactical asset allocation. Equity, balanced and fixed income investments may be recommended along with value, growth and momentum investing strategies. In building a specific asset allocation strategy, Oppenheimer Financial Advisors utilize various analytics and capital projections combined with an assessment of clients' investment goals and objectives. Financial Advisors review the circumstances that apply to each client including but not limited to risk tolerance level, time horizon, expected withdrawals, expected contributions, and long-term goals.

Financial Advisors review the pertinent aspects of a client's situation and review asset allocation recommendations at least once a year. A client's asset allocation is rebalanced or adjusted in accordance with each client's investment policy when needed.

In addition to asset allocation and investment policy, Financial Advisors also make recommendations concerning the selection and retention of investment managers. Generally, managers will represent separate, distinct, and non-correlated investments typically covering a variety of different risk and return parameters. In general, a variety of factors are reviewed when considering a manager; including style, credit quality, duration, risk, correlation, manager added value, manager objectives and expenses and performance.

All investments entail certain risks, both systemic and non-systemic. Investments and asset allocation recommendations made by Financial Advisors may include financial, market, inflation, interest rate, credit, and loss of principal risks. Financial Advisors generally attempt to moderate and manage these risks through diversification.

Investing in securities involves risk of loss that clients should be prepared to bear.

#### Methodologies and Strategies for FAM and Alpha accounts

The investment strategies used in managing FAM and Alpha accounts vary depending on the Financial Advisor and may include strategic asset allocation and tactical asset allocation, value, growth and momentum investing for equity, balanced and fixed income accounts. Financial Advisors who manage FAM or Alpha accounts may use one or more of the following methods of analysis in managing client assets:

Fundamental Analysis. We may attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be an appropriate time to buy) or overpriced (indicating it may be an appropriate time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. We may analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Quantitative Analysis. We may use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Qualitative Analysis. We may evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk in using qualitative analysis is that our subjective judgment may prove incorrect.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

#### Investment Strategies

We may use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. We may purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when we believe the securities to be currently undervalued, and/or we want exposure to a particular asset class over time, regardless of the current projection for this class. A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

Trading. We may purchase securities with the idea of selling them very quickly (typically within 30 days or less). We may do this in an attempt to take advantage of our predictions of brief price swings. Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we may be left with few options; having a long-term investment in a security that was designed to be a short-term purchase, or the potential of having to taking a loss. In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

### Risks of Alpha and FAM accounts.

Volatility of Investment Results. As with any investment in equity securities, the value of an investment in any of the strategies employed by FAM or Alpha accounts and the total return on an investor's investment are subject to the possibility that the portfolio of investments will experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect the securities markets generally, such as adverse changes in economic conditions, the general outlook for corporate earnings, interest rates or investor sentiment. Investments also may lose value because of factors affecting an entire industry or sector, such as increases in production costs, or factors directly related to a specific company, such as decisions made by its management.

Concentration of Portfolio. The various strategies executed in Alpha or FAM accounts may result in the concentration in a limited number of securities, or one security may constitute a significant percentage of a particular portfolio. A decline in the value of a security or securities in which an account holds a concentrated interest could substantially affect the value of the account overall.

Strategy May Not Be Successful. No guarantee or representation can be made that the investment strategy utilized on behalf of any client will be successful, that there will be profits, or that losses will be avoided. The success of an investment program may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of a portfolio's investments. Unexpected volatility or illiquidity could result in losses.

Options. Certain FAM and Alpha accounts may trade options. Selling uncovered options involves a high degree of risk and is not suitable for all investors. In some cases losses can be unlimited. Suitability requirements include financial sophistication and the ability to withstand a loss of equity. The Options Clearing Corporation ("OCC") Disclosure Document entitled "Characteristics and Risks of Standardized Options" and supplement titled "Special Statement for Uncovered Option Writers" is provided to investors for additional information on risks of options

### Risks of Equity Securities

The value of equity securities varies in response to the financial condition of individual companies and general market and economic conditions. Investments in companies with smaller market capitalizations generally are riskier than investments in larger more established companies. Prices of smaller companies may be more valuable than those of larger companies.

### Special Risks of Small and Mid Capitalization Companies

Investments in companies with smaller market capitalization are generally riskier than investments in larger, well-established companies. Smaller companies often are more recently formed than larger companies and may have limited product lines, distribution channels and financial and managerial resources. These companies may not be well known to the investing public, may not have significant institutional ownership and may have cyclical, static or moderate growth prospects. There is often less publicly available information about these companies than

there is for larger, more established companies, making value more difficult to analyze. The equity securities of small and mid capitalization companies are often traded over-the-counter or on regional exchanges and may not be traded in the volume typical for securities that are traded on a national securities exchange. Consequently, these securities may be required to be sold over a longer period of time (and potentially at less favorable prices) than would be the case for securities of larger companies. In addition, the prices of the securities of small and mid capitalization companies may be more volatile than those of larger companies.

#### Exchange Traded Funds and Other Similar Instruments

Shares of exchange traded funds (“ETFs”) and other similar instruments may be purchased or sold short by Alpha accounts or purchased or sold by FAM accounts. An ETF is an investment company that is registered under the Investment Company Act of 1940 (the “1940 Act”) that holds a portfolio of common stocks designed to track the performance of a particular index. ETFs sell and redeem their shares at net asset value in large blocks (typically 50,000 of its shares) called “creation units.” Shares representing fractional interests in these creation units are listed for trading on national securities exchanges and can be purchased and sold in the secondary market in lots of any size at any time during the trading day.

Investments in ETFs and other instruments involve certain inherent risks generally associated with investments in a broadly-based portfolio of stocks including risks that the general level of stock prices may decline, thereby adversely affecting the value of each unit of the ETF or other instrument. In addition, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of securities or number of stocks held. Because ETFs and pools that issue similar instruments bear various fees and expenses, an account’s investment in these instruments will involve certain indirect costs, as well as transaction costs, such as brokerage commissions. The portfolio manager considers the expenses associated with an investment in determining whether to invest in an ETF or other instrument.

#### Foreign Securities

FAM or Alpha accounts may invest in securities of foreign issuers and in depositary receipts, such as American Depositary Receipts (“ADRs”) that represent indirect interests in securities of foreign issuers.

Investments in foreign securities are affected by risk factors generally not thought to be present in the U.S. These factors include, but are not limited to, the following: varying custody, brokerage and settlement practices; difficulty in pricing; less public information about issuers of foreign securities; less governmental regulation and supervision over the issuance and trading of securities than in the U.S.; the unavailability of financial information regarding the foreign issuer or the difficulty of interpreting financial information prepared under foreign accounting standards; less liquidity and more volatility in foreign securities markets; the possibility of expropriation or nationalization; the imposition of withholding and other taxes on interest, dividends, capital gains or other income; adverse political, social or diplomatic developments; difficulties in invoking legal process abroad and enforcing contractual obligations; and the difficulty of assessing economic trends in foreign countries. Moreover, governmental issuers of foreign securities may be unwilling to repay principal and interest due, and may require that the

conditions for payment be renegotiated. Investment in foreign countries also involves higher brokerage and custodian expenses than does investment in U.S. securities.

### Risks of Fixed Income Securities

There are risks associated with investing in bonds. These include risks related to interest rate movements (interest rate risk, spread risk and reinvestment risk) and the risk of credit quality deterioration (credit or default risk). Clients may lose all or some of their monies when investing in bonds and should be prepared to bear such losses.

### Reinvestment Risk

Reinvestment risk is the risk that the cash flow received from a bond may be reinvested at a lower rate of return. Short-maturity bonds and callable bonds are the instruments most frequently associated with reinvestment risk. Callable bonds may subject the investors to reinvestment risk. Such bonds allow the issuer to repay the principal (with accrued interest) early. This gives the issuer the flexibility to refinance the debt if rates are low or declining. The timing of bond calls occurs precisely when investors do not want to receive their principal back, i.e., when they can only reinvest at either lower rates or in lower-quality securities. To compensate them for this reinvestment risk, investors in callables typically demand (and get) a higher interest rate as compared to non-callables.

### Spread Risk

Spread risk is the risk associated with changes in yields between issuers, credit ratings, sectors and/or markets. For example, sector spreads are yield differences between similarly rated bonds of different sectors. AA rated bonds of financial firms may trade at much higher yields than similarly rated industrial bonds. This spread relationship may change substantially while general interest rates may remain unchanged.

### Credit Risk

Credit or default risk is the risk that the issuer may be unable to make timely principal and interest payments on the bond. It is the critical determinant of a fixed income security's quality.

All fixed income securities have credit risk. US Treasury securities are generally considered to have the least credit risk of all fixed income investments. Most corporate bonds are rated by a nationally recognized statistical rating agency such as Standard & Poor's and Moody's. Standard & Poor's rates bonds from AAA (the best) to D (in default) with the ratings AAA, AA, A, and BBB considered to be "investment grade" and bonds rated BB, B, CCC, CC, C and D considered speculative grade. Generally the lower the rating the greater chance the obligor may not be able to repay their bonds in full and on time (default). Many factors contribute to the ultimate recovery of principal (and possibly back interest) should an issue default. Investors should pay particular attention to the issue's ranking in the capital structure of the issuer.

High yield (also called junk) bonds are bonds rated BB or lower. High yield fixed income securities are speculative investments and are subject to a very significant risk of default. Adverse changes in economic conditions or developments regarding the issuer are more likely to cause price volatility for issuers of high yield debt than would be the case for issuers of higher

grade debt securities. In addition, the market for high yield debt may be less attractive than that of higher-grade debt securities. These bonds tend to have significantly higher price volatility so an investor selling a high yield bond prior to maturity may receive only a fraction of the original purchase price. Additionally, in the event of default bondholders may receive limited recoveries, if any.

#### Liquidity Risk

US Government bonds generally have the greatest liquidity, meaning that they can be purchased and sold quickly at prices very close to the inter-dealer market. At the other end of the liquidity spectrum are small issues of low rated bonds. As a result of regulatory changes affecting banks and broker-dealers, there may be less liquidity in the bond market.

#### Undervalued Securities

Portfolio Managers may select fixed income securities that they believe are undervalued. A risk is that the portfolio manager's analysis of the issuer may be incorrect and the fixed income securities may be worth less than the portfolio manager believed them to be.

#### Risks of Alpha Accounts

##### Risk of Net-Long Bias

Alpha accounts may be managed with a "net –long bias," i.e., the dollar value of long positions in the account exceeds the dollar value of short positions. As a result, in a declining equity market environment, operating with a net-long bias could subject Alpha accounts to more downside volatility than would be the case if Alpha accounts had greater short exposure.

##### Short Selling

Alpha accounts may attempt to limit exposure to a possible market decline in the value of its portfolio securities through short sales of securities that the portfolio manager believes possess volatility characteristics similar to those being hedged or may "short" a security of a company if the portfolio manager believes the security is over-valued in relation to the issuer's prospects for earnings growth.

To affect a short sale, the account will borrow a security from a brokerage firm to make delivery to the buyer. The account is then obligated to replace the borrowed security by purchasing it at the market price at the time of replacement. The account will realize a gain if the borrowed security declines in price between the date of the short sale and the date on which the account replaces the security. The account will incur a loss if the price of the borrowed security increases between those dates. This loss can increase rapidly and without effective limit. The amount of any gain will be decreased, and the amount of any loss increased, by the amount of any premium or interest the account may be required to pay in connection with a short sale. There is a risk that the borrowed securities would need to be returned to the brokerage firm on short notice. If a request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, and the account might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the price at which the



securities were sold short.. The successful use of short selling may be adversely affected by imperfect correlation between movements in the price of the security sold short and the securities being hedged. Short selling may exaggerate the volatility of the account's investment portfolio. Short selling may also produce higher than normal portfolio turnover and may result in increased transaction costs to the account. The account may also make short sales against-the box, in which it sells short securities it owns or has the right to obtain without payment of additional consideration. If the account makes a short sale against-the-box, it will be required to set aside securities equivalent in kind and amount to the securities sold short (or securities convertible or exchangeable into those securities) and will be required to hold those securities while the short sale is outstanding.

#### **ITEM 9. DISCIPLINARY INFORMATION**

(1) On February 24, 2009 the SEC instituted administrative proceedings against Oppenheimer based on its failure to supervise an employee, with a view to preventing and detecting the employee's violations of federal securities laws. The SEC alleged that Oppenheimer's employee provided a trader at another broker-dealer with secret gratuities and entertainment in exchange for an increase in order flow from the other broker-dealer to Oppenheimer for execution at prices that were favorable to Oppenheimer and detrimental to the other broker-dealer's customers. The two individuals exchanged several emails, but because of a deficiency in Oppenheimer's email review procedures, none of its employee's emails were reviewed by Oppenheimer staff as required by Oppenheimer's electronic communications policy.

Oppenheimer consented to the entry of an order instituting administrative proceedings, making findings, and imposing remedial sanctions pursuant to section 15(B) of the Securities Exchange Act of 1934. Without admitting or denying these allegations Oppenheimer reviewed its policies, procedures and systems regarding the capture and reviewing of electronic communications by its employees and submitted a report to the Commission. Oppenheimer was censured and fined \$850,000.

(2) The Office of Financial Regulation, State of Florida and Oppenheimer entered into a stipulation and consent agreement (Administrative Proceeding No. 0335-S-4/07) executed by Oppenheimer on August 14, 2007 and accepted by the Office of Financial Regulation on or about August 27, 2007, in which Oppenheimer consented to the entry of a finding that Oppenheimer conducted securities transactions in certain locations without being properly registered in violation of Section 517.12(5), Florida Statutes, and Rule 69w 200.001 (9)(A) 3, Florida Administrative Code. Oppenheimer paid a \$15,000.00 fine, and agreed to cease and desist from such future violations.

(3) NASD alleged that Oppenheimer executed long sale orders and marked the orders as short sales; failed to disclose average price and the correct reported price on customer confirmations; failed to enter, or entered incorrectly, information on brokerage order memoranda; failed to preserve for a period of not less than three years, the first two in an accessible place, the memoranda of brokerage orders; Oppenheimer's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws, regulations and NASD rules relating to trade reporting, compliance with SEC Rule 15C2-11 and NASD Rule 6740, and OATS. Oppenheimer published quotations in OTC Equity Securities, or directly or indirectly, submitted such quotations for publications, in a quotation medium, the pink sheets, and did not have in its records the documentation required by SEC Rule 15C2-11(A)

("Paragraph (A) Information"), did not have a reasonable basis under the circumstances for believing that the Paragraph (A) information was accurate in all respects or did not have a reasonable basis under the circumstances for believing that the sources of the Paragraph (A) Information were reliable; the quotations did not represent a customer's indication of unsolicited interest. For each quotation, Oppenheimer failed to file a Form 211 with NASD at least three business days before Oppenheimer's quotations were published or displayed in a quotation medium.

Without admitting or denying the allegations, Oppenheimer agreed on November 3, 2006 to pay a fine of \$27,500.00.

(4) On October 16, 2007, the NASD alleged that during the period from October 1, 2005 through December 31, 2005, in seven customer transactions, Oppenheimer failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions.

Without admitting or denying the findings, Oppenheimer consented to the described sanctions and to the entry of findings and was censured, fined \$15,000 and required to pay \$6,852.51 in restitution to its customers.

(5) On April 15, 2008, the NASD alleged that Oppenheimer executed short sale transactions and failed to report them to the trade reporting facility, formerly the NASDQ Market Center, with a short sale modifier. Oppenheimer accepted short sale orders in equity securities from another person, or effected a short sale in equity securities for its own account without borrowing the security or entering into a bona fide arrangement to borrow the security; or reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and documenting compliance with SEC Rule 203(B)(1) of Regulation SHO. Oppenheimer had failed to deliver positions in threshold securities at a registered clearing agency for 13 consecutive settlement days and failed to immediately thereafter close out the fail to deliver positions by purchasing securities of like kind and quantity. Oppenheimer continued to have failed to deliver positions, which it failed to close as required, in the securities at the registered clearing agency for consecutive settlement days until a later date.

Without admitting or denying the findings, Oppenheimer consented on April 15, 2008 to the described sanctions and to the entry of findings and was censured and fined \$25,000.00.

(6) On September 24, 2008, the NASD alleged that Oppenheimer failed to provide written notification disclosing to its customers its correct capacity in transactions. The firm transmitted to the Order Audit Trail System (OATS) Reports that contained inaccurate, incomplete or improperly formatted date. Oppenheimer reported riskless principal orders to OATS without using the correct reporting exception code. Oppenheimer made available a report on the covered orders in National Market System securities that it received for execution from any person that included incorrect order information for orders entered.

Without admitting or denying the findings, Oppenheimer consented on September 24, 2008 to the described sanctions and to the entry of findings and was censured and fined \$12,500.00.



(7) On July 30, 2008, the NASD alleged that Oppenheimer failed to establish an adequate supervisor system, to monitor stock lending activity, and detect and prevent stock loan personnel from engaging in business dealings with finders in violation of Oppenheimer Policy.

Without admitting or denying any allegations, Oppenheimer entered into a letter of acceptance waiver and consent (AWC) on July 30, 2008 and agreed to a censure and \$100,000.00 fine.

(8) On December 21, 2007, the NASD alleged that from January 2, 2003 through early September 2003, certain registered representatives (the “Group”) at Oppenheimer engaged in improper market timing transactions on behalf of their Hedge Fund Clients. Oppenheimer’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to improper market timing transactions. In addition, Oppenheimer failed to create or maintain a record of the Group’s trading through the certain platforms.

Without admitting or denying the allegations Oppenheimer consented on December 21, 2007 to a fine of \$250,000, disgorgement and censure.

(9) The Financial Industry Regulatory Authority (FINRA) alleged that Oppenheimer failed to immediately display 97 customer limit orders when such an order would improve Oppenheimer’s bid or offer; or when the order was priced equal to Oppenheimer’s bid or offer and national best bid, in alleged violation of SEC Rule 604 and Reg. NMS.

Without admitting or denying the findings, Oppenheimer consented on January 16, 2008 to the described sanctions and to the entry of findings; therefore, Oppenheimer is censured and fined \$7,500.00.

(10) On June 30, 2009, the NASD alleged that Oppenheimer failed, within 90 seconds after execution, to transmit to the FINRA/NASDQ trade reporting facility last sale reports of transactions in Consolidated Quotation Services (CQS) securities that Oppenheimer was required to report. This conduct constitutes a pattern or practice of late reporting without exceptional circumstances in violation of NASD Rules 2110 and 4632(A).

Without admitting or denying findings, Oppenheimer consented on June 30, 2009 to the described sanctions and to the entry of findings and was censured and fined \$7,500.00.

(11) On November 11, 2008, Massachusetts Securities Division (“MSD”) alleged that Oppenheimer and Albert Lowenthal violated, inter alia, SECS.101 and 204(A)(2)(B), and 204(A)(2)(G) of the Uniform Securities Act. The violations were alleged to have arisen from Oppenheimer’s marketing and sales of certain auction rate securities. The MSD characterized the alleged conduct associated with these actions as dishonest, fraudulent and unethical.

On February 26, 2010, Oppenheimer entered into a consent order with the MSD. Oppenheimer shall buy back illiquid auction rate securities from investors according to a three step redemption process over the course of a 12 month period, as outlined in the consent order. Oppenheimer shall also pay the MSD’s investigative and administrative hearing costs in an amount totaling \$250,000.00 to the Secretary of the Commonwealth of Massachusetts.

(12) On April 26, 2005, the NASD alleged that Oppenheimer failed in May 2003 to report on a timely basis municipal securities transactions with other dealers; failed to report accurately the

price or time or whether it acted as principal or agent on numerous municipal securities trades with customers; failed to report or reported municipal securities transactions that were never effected on numerous occasions; failed to respond in a timely manner to NASD requests for documents and information; failed to have a system in place to save all electronic communications between its employees; and allowed its employees to delete electronic communications.

On September 28, 2006, Oppenheimer agreed to pay a fine of \$800,000 and to retain outside counsel to review, modify and enhance written procedures regarding municipal trade reporting and compliance with regulatory requests.

(13) The NASD filed a complaint on September 9, 2006 containing two cases of actions first, Oppenheimer failed to respond completely, accurately, and timely to an NASD survey, violations of Procedural Rule 8210 and Conduct Rule 2110; second, Oppenheimer failed to adequately supervise the preparation and submission of a regulatory response, violation of Conduct Rules 3010(a) and 2110.

Oppenheimer paid a \$1 million fine and was censured. Oppenheimer will hire an independent consultant to review firm's procedures for responding to regulatory inquiries. Also, Oppenheimer's internal audit department will for six quarters, review Oppenheimer's intake, assignment and response procedures to regulatory inquiries.

(14) On January 31, 2012, Oppenheimer entered into a consent agreement with the State of New Hampshire Department of State Bureau of Securities Regulation (the "Bureau") regarding the sale of certain penny stocks to clients in New Hampshire. The Bureau alleged that Oppenheimer failed to prevent the solicited sale of unregistered penny stocks to New Hampshire residents and failed to supervise employees at its Portsmouth New Hampshire branch. Without admitting or denying the findings, Oppenheimer agreed to the entry of findings, the payment of a fine in the amount of \$125,000, the payment of costs of \$30,000 and to offer rescission to any New Hampshire clients who purchased such penny stocks. In addition, the branch manager of the Portsmouth branch agreed to voluntarily relinquish her position for a period of one year and Oppenheimer agreed to retain an independent consultant to review certain activities in the Portsmouth branch and to make certain written findings to the Bureau and to Oppenheimer.

(15) In December 2013, FINRA fined Oppenheimer \$675,000 for charging unfair prices in municipal securities transactions and for failing to have an adequate supervisory system. FINRA also ordered Oppenheimer to pay more than \$246,000 in restitution, plus interest, to customers who were charged unfair prices.

Oppenheimer failed to detect the unfair prices charged. Oppenheimer's supervisory system was deficient because supervisory personnel relied solely on a surveillance report that only captured intra-day transactions to review the fairness of markups/markdowns in municipal securities transactions. From at least 2005 through June 30, 2009, if an Oppenheimer trader purchased municipal securities and held those securities in inventory for a day or longer, the subsequent sales to customers would not populate the firm's surveillance report or be subjected to a fair pricing review.

(16) On January 27, 2015, Oppenheimer entered into an order with the Securities and Exchange Commission ("SEC") pursuant to which Oppenheimer was censured and agreed to (i) pay \$10

million, comprised of \$4,168,400 in disgorgement, \$753,471 in prejudgment interest and \$5,078,129 in civil penalties; (ii) cease and desist from committing or causing any violations of Sections 15(a) and 17(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Rules 17a-3 and 17a-8 adopted thereunder and of Section 5 of the Securities Act of 1933 (the “Securities Act”); and (iii) retain an independent consultant over a five-year period to conduct a review of Oppenheimer’s policies and procedures as they relate to compliance with Section 5 of the Securities Act, the Bank Secrecy Act, the Patriot Act, Oppenheimer’s AML program and the proper recognition of liabilities and expenses associated with foreign entities trading on behalf of customers and U.S. customers trading through foreign financial institutions. This settlement was based on Oppenheimer’s conduct relating to two separate customer accounts. The first account involved aiding and abetting a customer’s violation of the broker-dealer registration requirements under the Exchange Act, failure to file Suspicious Activity Reports to report potential misconduct by this customer and failure to properly report, withhold and recognize backup withholding taxes. The second account involved failure to respond to red flags and conduct an inquiry into whether a customer’s unregistered sales of penny stocks were exempt from Securities Act registration requirements and failure to reasonably supervise with a view toward detecting and preventing violations of the registration provisions. Oppenheimer also agreed to pay an additional \$10 million in civil penalties to settle a parallel action by the Treasury Department’s Financial Crimes Enforcement Network.

(17) On July 9, 2007 Oppenheimer entered into a Consent Order with the Massachusetts Securities Division (the “Division”). The Order alleged that Oppenheimer failed to supervise a registered representative who engaged in unlawful activities. The Division alleged that Oppenheimer made false and misleading filings to the Division during the course of its investigation of the matters addressed in the Order and accordingly violated Massachusetts General Laws, Chapter 110A, Section 404. Oppenheimer was required to pay a fine of \$1,000,000, make restitution to the investor, cease and desist from further violations and retain an independent consultant.

(18) On March 26, 2015, Oppenheimer entered into an AWC with FINRA pursuant to which Oppenheimer was censured and agreed to (i) pay a fine in the amount of \$2,500,000; (ii) make restitution totaling \$1,251,076 to certain customers and (iii) retain an independent consultant, not unacceptable to FINRA staff, to conduct a comprehensive review of the adequacy of Oppenheimer’s supervisory policies, systems and procedures and training relating to wire transfers, Form U4/U5 reporting and excessive trading. The AWC was based on Oppenheimer’s failure to supervise a former Financial Advisor who misappropriated funds from his customers and excessively traded their accounts and failure to design or implement supervisory procedures to ensure that timely U4 and U5 filings were made.

(19) On November 3, 2014, Oppenheimer entered into an agreement with the SEC pursuant to which Oppenheimer was censured and fined \$61,200 and agreed to cease and desist from committing or causing any violations of Rule G-15(f) promulgated by the Municipal Securities Rulemaking Board (“MSRB”). In March 2014, Oppenheimer violated MSRB Rule G-15(f) by executing three sales transactions in the Puerto Rico bonds with customers in amounts below the \$100,000 minimum denomination of the issue.

(20) On January 16, 2008, Oppenheimer was censured and fined \$7,500 in response to FINRA allegation that the firm failed to immediately display 97 customer limit orders in violation of SEC Rules 604 and NMS regulations.

(21) On October 12, 2010, Oppenheimer submitted an AWC to FINRA in which the firm was censured, fined \$57,500, ordered to pay \$17,879.51 plus interest in restitution to customers, and to revise its written supervisory procedures regarding best execution, trade reporting and sales transactions. The firm consented to the described sanctions and to the entry of findings that it purchased municipal securities for its own account from a customer and/or sold municipal securities for its own account to a customer at an aggregate price (including any markdown or markup) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transactions and of any securities exchanged or traded in connection with the transaction; the expense involved in effecting the transaction; the fact that the broker, dealer or municipal securities dealer is entitled to a profit; and the total dollar amount of the transactions. The findings stated that the firm failed to provide written notification disclosing to its customer its correct capacity in the transaction, that the commission was a markup/markdown or commission equivalent, and that when acting as a principal for its own account that it was a market maker in each security. The findings also stated that the firm transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data; specifically, the reports contained inaccurate order route reports, missing route reports or incorrect share quantities.

(22) On May 10, 2011, Oppenheimer submitted an AWC in which the firm was censured and fined \$100,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to deliver official statements by the settlement date to numerous customers who purchased new issue municipal securities during the primary offering disclosure period. The findings stated that the firm failed to keep a record of deliveries of official statements to purchasers of new issue municipal securities, as MSRB Rule G-8(a)(xiii) required. The findings stated that the firm failed to enforce its WSPs pertaining to the firm's official statement delivery requirements to customers who purchased new issue municipal securities for secondary market transactions that occurred during the primary offering disclosure period, including those transactions in which the firm was not an underwriter nor part of the underwriting syndicate, as MSRB Rule G-32 required; and the firm's requirements to maintain various records pertaining to its obligations to deliver official statements to customers who purchased new issue municipal securities, including those transactions in which the firm was not an underwriter nor part of the underwriting syndicate, as MSRB Rule G-8 required.

(23) On August 20, 2009, the Florida Office of Financial Regulation executed a stipulation and consent agreement in which Oppenheimer consented to an entry by the office that Oppenheimer failed to maintain adequate written supervisory procedures by not having any supervisory procedures addressing the borrowing of money by clients.

On August 21, 2009, the Office entered a final order adopting the stipulation and consent agreement whereby Oppenheimer neither admitted nor denied the findings but agreed to cease and desist from future violations of Chapter 517, F.S. and was fined a \$5,000 administrative fee.

(24) On July 15, 2013, Oppenheimer submitted an AWC to FINRA in which the firm was censured and fined \$17,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it executed orders for sales pursuant to SEC Rule 144 and failed to mark each as a short sale. The findings stated that the firm had a few fail-to-deliver positions at a registered clearing agency in an equity security that resulted from long-

sale transactions, and failed to timely close out the fail-to-deliver positions by purchasing securities of like kind.

(25) On December 6, 2013, FINRA fined Oppenheimer \$675,000 for charging unfair prices in municipal securities transactions and for failing to have an adequate supervisory system. FINRA also ordered Oppenheimer to pay more than \$246,000 in restitution, plus interest, to customers who were charged unfair prices.

(26) On October 29, 2014, Oppenheimer submitted an AWC to FINRA in which the firm was censured and fined \$10,000. Without admitting or denying the findings, Oppenheimer consented to the sanctions and to the entry of findings that it failed to report the correct trade execution time for transactions in TRACE-eligible securitized products and failed to show the correct execution time on the memoranda of brokerage orders.

(27) On January 6, 2015, Oppenheimer submitted an AWC in which the firm was censured and fined \$250,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to establish and maintain an adequate system to monitor, supervise and control its extension of margin loans for foreign sovereign debt. The findings stated that the firm's WSPs did not address how to assess the risks of extending margin credit for foreign sovereign bonds. The findings also stated that the firm failed to dedicate sufficient supervisory resources to monitoring the risk of holding below-investment-grade foreign sovereign bonds. The firm's exposure to below-investment-grade foreign sovereign bonds, almost all of which was issued by a single government, exceeded \$30 million. The firm's failure to supervise placed its capital at risk as a default of one bond would therefore likely mean the default of all bonds. The findings also included that the firm failed to take sufficient steps to assess whether a ready market existed for below-investment-grade foreign sovereign bonds and that the debt was adequately secured, as the bonds at issue did not trade on a daily basis. As a result, the firm's net capital calculation should have been reduced by approximately \$31 million since a deduction from net capital of 100 percent of carrying value is required for securities without a ready market. FINRA found that the firm failed to reasonably supervise the transfer of assets securing a margin loan from one party to another. The firm allowed the transfer to occur without taking adequate steps to determine whether the information provided on the LOA was sufficient.

(28) On January 30, 2015, Oppenheimer consented to the sanctions and to the entry of findings that it failed to display immediately 31 customer limit orders in NASDAQ securities in its public quotation, when each such order was at a price that would have improved the firm's bid or offer and the national best bid for the offer in each such security. The conduct violated the Securities Exchange Act Rule 604 of Regulation NMS. The firm was censured and fined \$7,500.

(29) On June 25, 2015, the firm agreed to pay \$685,000 to the Delaware Investor Protection Fund and agreed to certain undertakings. Without admitting or denying the findings, Oppenheimer agreed to develop and maintain policies, procedures and systems that reasonably supervise the activities of its broker-dealer agents, investment advisors and branch office managers, and ensure full compliance by its officer, agents, employees and representatives with their and Oppenheimer's responsibilities to their clients.

(30) On June 18, 2015, Oppenheimer consented to the entry of an order by the SEC imposing remedial sanctions and a cease and desist order. The SEC alleged that Oppenheimer offered and sold municipal securities on the basis of materially misleading disclosure documents, in violation



of Section 17(a)(2) of the Securities Act. Oppenheimer was required retain an independent consultant and other undertakings and was fined in the amount of \$400,000.

(31) On October 20, 2015, Oppenheimer entered into an offer of settlement with the Chicago Board Options Exchange, Inc. (“CBOE”). Oppenheimer was censured and fined \$20,000 for several instances of violations of Exchange Rule 3.6A in that Oppenheimer failed to properly register certain Associated Persons and its CCO.

(32) On October 7, 2015, Oppenheimer submitted an AWC to FINRA in which the firm was censured and fined \$21,000. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that in transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. These violations resulted in a total of \$109.15 in restitution.

(33) On October 19, 2015, Oppenheimer entered a stipulation and agreement with the director of the Securities Division of the New Mexico Regulation and Licensing Department resolving a notice of contemplated action dated November 20, 2014, captioned in the matter of Oppenheimer and Royce Simpson. The stipulation and agreement determined that the Division, while reviewing the trading activity for Bernalillo County from 2012 through 2013 determined that there may have been certain supervisory deficiencies at Oppenheimer in advising the Treasurer’s Office of Bernalillo County during the period of time in question through Oppenheimer’s agent, Royce Simpson. Oppenheimer disputes that claim as set forth in the Notice of Contemplated Action; further the stipulation and agreement was not intended to modify any of Oppenheimer’s obligations under existing law. And in fact Oppenheimer made certain revisions in its internal policies involving the investment of public funds. Oppenheimer also remitted to the Division \$215,000 to be allocated to the investor education fund for the benefit of licensees and consumers within New Mexico. Oppenheimer also agreed to commit to a full implementation of improved supervisory procedures, which it already adopted for servicing political subdivisions throughout New Mexico. As a result, the Division released and discharged Oppenheimer from any and all claims and dismissed the notice of contemplated action with prejudice against Oppenheimer.

(34) On November 24, 2015, Oppenheimer submitted an AWC to FINRA in which the firm was censured, fined \$15,000, and required to revise its WSPs. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it failed to provide written notification disclosing to its customer the call date and dollar price of the call in transactions in municipal securities executed on the basis of a yield to call. The findings stated that the firm failed to provide written notification disclosing to its customer the correct next potential call date in transactions in continuously callable municipal securities executed on the basis of a yield to call. The firm provided written notification improperly disclosing to its customer a yield to call in transactions in municipal securities with a variable interest rate and failed to provide written notification disclosing to its customer the correct lowest effective yield in a transaction in a municipal security. The findings also stated that the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws and regulations, and MSRB rules, concerning customer confirmations for municipal securities transactions.

(35) On December 22, 2015, Oppenheimer submitted an AWC to FINRA in which the firm was censured and fined \$225,000. Without admitting or denying the findings, the firm consented to

the sanctions and to the entry of findings that it failed to reasonably supervise and to have an adequate supervisory system, including adequate WSPs, to address short positions in tax-exempt municipal bonds that resulted primarily from trading errors. The findings stated that as a result of these supervisory failures, the firm inaccurately represented to its customers holding municipal bonds that at least \$188,974.38 in interest that the firm paid to those customers was exempt from taxation. The firm did not hold the bonds on behalf of the customers and the interest that the customers received was paid by the firm and thus taxable as ordinary income. This resulted in the underpayment of not less than \$68,227.43 in federal income taxes. The findings also stated that the firm did not provide adequate guidance or oversight on how and when municipal short positions should be covered.

(36) On December 22, 2015, Oppenheimer submitted an AWC to FINRA in which the firm was censured, fined \$200,000, and required to offer rescission to the customers who purchased securities at either the original purchase price or the current fair market value, whichever is higher. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that it effected customer transactions in a municipal security in an amount lower than the minimum denomination of the issue, which were not subject to an exception under the rule. The findings stated that the firm failed to disclose all material facts concerning municipal securities transactions at or prior to the trade time. Specifically, it failed to inform its customers that the municipal securities transaction was in an amount below the minimum denomination of the issue.

(37) On January 2, 2013, Oppenheimer submitted an AWC to FINRA in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that its customer confirmations were inaccurate or incomplete, in that the firm failed to disclose the correct type of remuneration and failed to disclose that the price the customer received was an average price, failed to disclose the correct type of remuneration on customer confirmations, and failed, on one occasion, to disclose the correct type of remuneration and failed to disclose the correct capacity in which it acted. The findings stated that the firm transmitted reports to OATS that contained incorrect customer instruction flags or incorrect route reports. The findings also stated that the firm transmitted reports to the FNTRF that contained inaccurate data.

(38) On December 21, 2012, the International Securities Exchange LLC (ISE) issue an AWC to Oppenheimer in which the firm was censured and fined \$60,000. Oppenheimer was alleged to have violated ISE Rule 415 (A) in 2010 when it submitted entries into the Large Options Position Report in which accounts with the same social security or tax id number had not been assigned an in concert number and in concert firm identification.

(39) On August 5, 2013, FINRA fined Oppenheimer \$1,425,000 for the sale of unregistered penny stock shares and for failing to have an AML compliance program to detect and report suspicious penny stock transactions. Oppenheimer was also required to retain an independent consultant to conduct a comprehensive review of the adequacy of Oppenheimer's penny stock and AML policies, systems and procedures. Oppenheimer agreed to the sanctions to resolve charges first brought against the firm in a FINRA complaint in May 2013.

(40) On March 29, 2012, Oppenheimer consented to an AWC with FINRA in which the firm was censured and fined \$18,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to

transmit to the Over- The-Counter Reporting Facility (OTCRF) last sale reports of transmissions in OTC equity securities, and failed to designate some of the last sale reports as late. The findings stated that the firm reported some last sale reports of transactions in OTC equity securities it was not required to report, and failed to report the correct execution time to the OTCRF in some last sale reports of transactions in designated securities.

(41) On April 2, 2013, Oppenheimer submitted an AWC to FINRA in which the firm was censured, fined \$22,500 and ordered to pay \$1,290.58, plus interest, in restitution to customers. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in transactions for or with customers, it failed to use reasonable diligence to ascertain the best inter-dealer market, and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The findings stated that the firm failed to show, on brokerage order memoranda, one or more of the correct execution time, the entry time, the correct entry time, the order size, the order type, and/or the terms and conditions. The findings also stated that the firm failed to preserve, for a period of not less than three years, the first two in an accessible place, brokerage order memoranda. The findings also included that the firm failed to report the correct execution time to the FNTRF in some last sale reports of transactions in designated securities.

(42) On February 19, 2014, Oppenheimer submitted an AWC to FINRA in which the firm was censured and fined \$45,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it submitted transactions with inaccurate market center codes to the FINRA/ NASDAQ Trade Reporting Facility (FNTRF). The firm submitted transactions for which it failed to substantiate usage of the qualified contingent trade modifier. The findings stated that the firm reported inaccuracies on customer confirmations, including disclosing an inaccurate capacity, disclosing an inaccurate execution price, failing to disclose that these were average price transactions, inaccurately disclosing the compensation type as “commission equivalent” for agency trades, failing to disclose the firm was market maker in a security, inaccurately disclosing the compensation type as “commission” for principal trades.

(43) On March 18, 2013, Oppenheimer was censured and fined \$5,000 by the CBOE. Oppenheimer failed to register the minimum number of individuals required to register as a Proprietary trader principal (TP) on Web CRD in violation of CBOE Exchange Rule 3.6A.

(44) On May 4, 2016, the Securities Division of the Office of the Attorney General for South Carolina determined that Oppenheimer, without admitting or denying the findings, failed to detect and report the activities of a former registered representative and an unidentified representative relating to the representative’s recommendation that a client invest in private investments from November 2005 through October 2008. Oppenheimer was fined \$150,000 and reimbursed costs of \$25,000.

(45) On April 21, 2016, a registered representative of Oppenheimer submitted an AWC to FINRA. The representative was named a respondent in a FINRA complaint alleging that he willfully failed to disclose on his Form U4 five unsatisfied tax liens and an unsatisfied civil judgment. The liens and judgment constituted material facts for purposes of Form U4 disclosures. Representative was subject to a suspension in all capacities for 60 days and suspended from acting as a principal for 90 days and was fined \$10,000.



(46) On June 7, 2016, Oppenheimer signed an AWC with FINRA in which FINRA alleged the firm sold leveraged, inverse and inverse-leveraged exchange-traded funds (non-traditional ETFs) to retail customers without reasonable supervision, and recommended non-traditional ETFs that were not suitable.

FINRA found the firm did not establish an adequate supervisory system to monitor the holding periods for non-traditional ETFs. The firm failed to employ any surveillance or exception reports to effectively monitor the holding periods for non-traditional ETFs, so certain retail customers held non-traditional ETFs in their accounts for weeks, months and sometimes years, resulting in substantial losses.

FINRA also found that Oppenheimer failed to conduct adequate due diligence regarding the risks and features of non-traditional ETFs and, as a result, did not have a reasonable basis to recommend these ETFs to retail customers. Similarly, Oppenheimer representatives solicited and effected non-traditional ETF purchases that were unsuitable for specific customers.

Oppenheimer neither admitted nor denied the charges, but consented to the entry of FINRA's findings and was fined \$2.25 million and ordered the firm to pay restitution of more than \$716,000 to affected customers.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### Broker –Dealer Registration Status

Oppenheimer is a registered broker-dealer. Albert Lowenthal, Chairman, Mark Whaley, Executive Vice President National Sales, Jeffrey Alfano, Chief Financial Officer, James Gianni, Chief Compliance Officer and John Benedetto, EVP and Chief Operations Officer, are registered representatives of Oppenheimer but do not function in that capacity.

### Material Relationship or Arrangement with Industry Participants

An affiliate of Oppenheimer is the managing member of several subsidiaries that act as investment advisers to registered investment companies and other pooled investment vehicles. These investment companies and pooled investment vehicles pay performance fees as well as management fees. Financial Advisors of Oppenheimer receive a portion of the management fee and incentive fee paid by collective investment vehicles to affiliates of Oppenheimer and may have a financial incentive to recommend those collective investment vehicles.

Oppenheimer also is a registered broker dealer and full service investment firm as well as a registered investment adviser. Oppenheimer provides services such as investment banking, equity research, institutional sales, municipal finance and debt capital markets. Oppenheimer Trust Company of Delaware, an affiliate of Oppenheimer, provides trust services to high net worth individuals, not for profit organizations and businesses. Oppenheimer Trust Company of Delaware may recommend Oppenheimer advisory programs or products to its trust clients.

Mutual funds that may be purchased in Alpha or FAM accounts do not pay any fees to Oppenheimer for participating in these programs. Advisers or distributors of mutual funds available in Oppenheimer advisory programs may pay for or reimburse for various costs relating to client and prospective client meeting sales and marketing materials and educational training and sales meetings held with Financial Advisors of Oppenheimer. These affiliates of mutual funds also may pay for the cost of reasonable entertainment in connection with Oppenheimer sponsored or client related events. Oppenheimer acts as the placement agent for the sale of

interests in collective investment vehicles for which subsidiaries of OAM serve as investment advisor or general partner.

Mutual funds that are purchased in Oppenheimer advisory programs may have other business relationships with Oppenheimer such as institutional trading. Oppenheimer Financial Advisors do not consider any such relationships when determining whether or not to recommend a mutual fund for one of the advisory programs.

Mutual funds available in advisory programs also may be purchased by Clients in their brokerage accounts but are sold with the applicable sales charge.

Certain fund companies pay Oppenheimer a mutual fund support fee for marketing, training operations and systems support with respect to mutual fund shares sold to clients in their Oppenheimer brokerage accounts. These payments which are known as revenue sharing payments are not made with respect to any fund purchases in advisory programs.

Unit investment trusts (“UITs”) may be purchased in fee based advisory accounts if purchased on an agency basis at a 50 basis point charge, none of which is paid to Oppenheimer. Purchases of UITs in fee based advisory programs are not taken into account for the payment of any volume bonuses by sponsors of UITs to Oppenheimer. Sponsors of UITs may have trading relationships with Oppenheimer. The existence of any such relationships is not a factor in the determination by a Financial Adviser to recommend the purchase of a UIT for an advisory program.

Managers that Oppenheimer recommends to clients in the Consulting Services or Retirement Services programs may have other business relationships with Oppenheimer such as institutional trading. Oppenheimer does not consider these relationships when determining whether or not to recommend a portfolio manager or mutual fund.

Service providers to retirement plans and sponsors of insurance products sponsor events to which Financial Advisors of Oppenheimer are invited such as meals or golf outings. Financial Advisors must receive the approval of the Product Manager before attending any of these events.

Cash assets in the Advisory Programs will be invested at certain participating banks in the Advantage Bank Deposit Program. The Advantage Bank Deposit Program may be significantly more profitable to Oppenheimer than money market fund sweep vehicles. The fee payable to Oppenheimer may be as high as 5% of the household balances invested in the Advantage Bank Deposit Program. Oppenheimer will waive the payment of any fee from each Deposit Bank for retirement fund accounts.

Financial Advisors of Oppenheimer receive compensation for the sale of interests in hedge funds recommended by its affiliate Oppenheimer Asset Management Inc. (“OAM”) out of payments made by the funds to Oppenheimer. Certain hedge funds make higher payments to Oppenheimer than other funds on the OAM hedge fund platform and accordingly, financial advisors who sell these funds receive higher payments than they receive from selling other hedge funds. This practice represents a conflict of interest and gives Oppenheimer and the financial advisor an incentive to recommend investment products based on the compensation received, rather than on a client’s needs.

#### Research

Oppenheimer has procedures in place to avoid improper communications between Oppenheimer research employees and employees of other Oppenheimer departments including Financial Advisors of Oppenheimer. Oppenheimer Research employees are generally prohibited from, among other things:

- Discussing with any person outside of the Research Department and the Legal and Compliance Department any unpublished research reports, opinions or recommendations;
- Recommending the purchase or sale of, a security ahead of the issuance of research or changes to a view on a security;
- Recommending the purchase or sale of, a security of an issuer for any account while in possession of material non-public information on the issuer;
- Providing unpublished drafts of research reports for review or approval to any non-Research personnel;
- Providing unpublished drafts of research reports for review or approval to third parties, except pursuant to authorized gate-keeping procedures;
- Making any oral, written, or electronic communication, either internally or externally, that is inconsistent with an analyst's research, opinions or analysis; and;
- Disclosing material changes to opinions, recommendations or price target to select persons prior to general publication.

#### Investment Banking

In order to prevent the improper use of material, non-public information from one part of Oppenheimer to another, Oppenheimer has created “information barriers” or “information walls” around each department that holds this information. Each business unit that regularly holds customer confidential information (such as investment banking) is on the “Private Side” of the information wall. In contrast, each business unit that does not hold confidential information is on the “Public Side” of the wall. Financial Advisors of Oppenheimer are considered to be on the “Public Side” of the wall. Employees on the Private Side of each information wall are prohibited from providing any material, non-public information to employees on the Public Side of the information wall.

Regulatory requirements prohibit Private Side investment banking personnel who are in possession of material, non-public information from discussing a pending transaction with individuals on the Public Side (or employees on the Private Side who do not have a “need to know”). Only those employees directly involved in or necessary to the due diligence process of an investment banking transaction are permitted to be brought “over the wall.”

#### Material Conflicts of Interest Relating to other Investment Advisers

Oppenheimer receives compensation from other investment advisers for recommending those advisers to clients. These arrangements are in place for advisers that are not available in programs offered by Oppenheimer or its affiliates. Oppenheimer also acts as a selling broker-dealer for interests in collective investment vehicles managed by other investment advisers. Financial Advisors who recommend other advisers or interests in collective investment vehicles receive a portion of the compensation paid to Oppenheimer under these arrangements.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### Code of Ethics

Oppenheimer has adopted a written Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940. A copy of the Code of Ethics will be provided upon request to any client or prospective client. The purpose of the Code is to set forth standards of conduct expected of advisory personnel and address conflicts, such as frontrunning, that arise from personal trading by advisory personnel. The Code of Ethics addresses these conflicts as follows:

1. Certain advisory personnel with access to the securities trading on behalf of advisory clients are deemed as “access persons”;
2. These access persons of Oppenheimer are required to certify that they are in compliance with the Code of Ethics on an annual basis;
3. Access persons are also required to provide compliance personnel with brokerage accounts through which they conduct personal trading; and
4. Access persons are required to execute securities transactions on behalf of advisory accounts prior to or at a better price than any securities transactions in the same issuer for personal accounts. Note, however, that personal accounts established as advisory accounts are treated the same as other advisory accounts.

Oppenheimer and certain of its affiliates are engaged or may engage in investment activities for separate accounts for individuals and institutions or for their own accounts. These various accounts may from time to time purchase, sell or hold certain investments which are also being purchased, sold or held by other client accounts of Oppenheimer. For client accounts of Oppenheimer pursuing the same investment strategy, Oppenheimer will allocate investments among these accounts on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments. Oppenheimer and its officers and employees devote as much of their time to the activities of its clients as Oppenheimer deems necessary and appropriate.

Oppenheimer effects transactions on an agency basis on behalf of its clients and as principal for its own account in those securities in which it makes a market. Oppenheimer may, on occasion, act as broker for an advisory client of Oppenheimer on one side and a client for whom it (or its affiliates) does not act as investment adviser on the other side of a securities transaction.

All clients are advised through clauses in the advisory contract that Oppenheimer is a broker-dealer and may have a position or interest in securities which are recommended or purchased for their accounts. In their capacity as registered representatives of Oppenheimer, Financial Advisors may indirectly receive a portion of client commissions paid to Oppenheimer.

Oppenheimer acts as the placement agent for the sale of interests in collective investment vehicles for which affiliates of Oppenheimer serve as investment adviser or general partner. Financial advisors of Oppenheimer receive a portion of the fees paid to the investment adviser or general partner with respect to client accounts in such funds.

A copy of this code may be obtained by contacting James Capezzuto at [james.capezzuto@opco.com](mailto:james.capezzuto@opco.com).

## **ITEM 12. BROKERAGE PRACTICES**

Oppenheimer executes securities transactions for FAM and Alpha accounts except when the transaction cannot be executed by Oppenheimer for regulatory or other reasons.

Oppenheimer aggregates the purchase or sale of securities for client accounts whenever possible. Aggregation of transactions may result in lower transaction costs for clients.

Oppenheimer's broker-dealer affiliate receives remuneration, compensation or other consideration for directing customer orders for securities to particular market centers for execution. Such consideration, if any, may take the form of credits against fees due such market centers, monetary payments, research, reciprocal agreements for the provision of order flow, products or services or other items of remuneration.

Oppenheimer's broker-dealer affiliate may also receive payment for routing the options orders to designated broker/dealers or market centers for execution. Compensation may be in the form of a per contract cash payment. The source and amount of any compensation received in connection with options transactions and any additional information concerning the options order flow payments will be furnished upon written request.

## **ITEM 13. REVIEW OF ACCOUNTS**

Activity in FAM and Alpha accounts is reviewed by the Financial Advisor's Branch Manager pursuant to specific written supervisory procedures that include unusual, suspicious or otherwise inappropriate activity utilizing various reports. Branch Managers review for potential conflicts between Financial Advisors and clients with respect to trading activity, outside business activities communications. Branch Managers review each account for suitability before it is opened and review trading activity in managed accounts that are managed on a discretionary basis including trading volume in Alpha accounts. In addition to supervision by the Branch Manager, the Product Management group supervises certain aspects of management and trading for FAM and Alpha accounts.

### Consulting Servicing and Retirement Services

Files containing client questionnaires, agreements, investment policy statements, and performance reports are maintained with the Financial Advisor, branch management, and the product department. The Financial Advisor's Branch Manager is responsible for monitoring the Financial Advisor to determine ensure that advice provided by the Financial Advisor is consistent and in compliance with the Consulting Service Agreement. These policies and procedures are designed to provide specific reviews to be conducted by the Branch Manager on a periodic basis. On a semi-annual basis, the Branch Manager conducts a series of reviews to verify compliance with the Consulting Services Agreement.

In addition, the product supervisor or an appropriate designee will review each client file at inception and annually. The services stipulated in each client agreement will be reviewed with the

Financial Advisor. Plan investments, asset allocation and recommendations will also be reviewed. Evidence of each annual review is maintained in each client's product department file.

FAM and Alpha accounts may be reviewed more frequently if there is an unusual level of trading or pattern of trading.

Performance reporting is provided on annual, semi-annual, or quarterly basis depending on the client to Consulting and Retirement Services clients. Performance reports can provide a variety of data and analysis concerning client investments and asset allocation such as: style measurements, comparative returns, expenses and account management.

Alpha and FAM clients receive brokerage confirmations for all transactions and monthly brokerage statements. FAM clients receive a quarterly account statement.

#### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

Oppenheimer does not receive direct economic benefits from third parties for providing investment advice or other advisory services to clients.

Oppenheimer pays cash compensation for client referrals in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940. Compensation paid is a percentage of the fee payable by the referred clients and may continue for the length of the client's advisory relationship with Oppenheimer.

Cash assets in the Advisory Programs will be invested at certain participating banks in the Advantage Bank Deposit Program. The Advantage Bank Deposit Program may be significantly more profitable to Oppenheimer than money market fund sweep vehicles. The fee payable to Oppenheimer may be as high as 5% of the household balances invested in the Advantage Bank Deposit Program. Oppenheimer will waive the payment of any fee from each Deposit Bank for retirement plan accounts.

#### **ITEM 15. CUSTODY**

Oppenheimer is a qualified custodian and maintains direct custody of clients' funds or securities. Oppenheimer sends clients a monthly account statement and confirmation statements after each transaction is for accounts that pay commissions. Clients may decide to custody their funds and securities at a qualified custodian other than Oppenheimer. In that case, clients will receive account statements from the broker-dealer, bank or other qualified custodian and should carefully review those statements. Clients in FAM accounts also receive a quarterly performance report from Oppenheimer. Clients should carefully compare the account statement they receive from their qualified custodian to the quarterly performance report they receive from Oppenheimer.

#### **ITEM 16. INVESTMENT DISCRETION**

Oppenheimer accepts discretionary authority to manage securities accounts for clients. This authority is stated in the investment management agreement that Oppenheimer enters into with the client. Clients may specify certain types of securities that they do not want us to purchase for their account and may otherwise limit our discretion.

## **ITEM 17. VOTING CLIENT SECURITIES**

Oppenheimer generally does not vote proxies for securities held in FAM and Alpha accounts unless specifically requested to do so by a client. Oppenheimer has adopted policies with respect to the voting of proxies for client's accounts, which are summarized below. Financial Advisors may vote for certain client accounts using Proxy Edge.

Oppenheimer has engaged Glass Lewis & Co. Inc. ("Glass Lewis") to provide research and advice on shareholder voting. Oppenheimer has reviewed and adopted Glass Lewis guidelines on proxy voting. Glass Lewis will submit its recommended vote to Oppenheimer and Oppenheimer will have the opportunity to accept or override the recommendation. For matters that are decided on a case by case basis or that are not covered by the Glass Lewis guidelines, a decision will be made by the Proxy Oversight Committee of Oppenheimer after consultation with Glass Lewis. Matters that are considered on a case-by-case basis include board risk management oversight, advisory votes on executive compensation, golden parachute arrangements, other compensation arrangements, and cumulative voting and anti-takeover measures.

Clients may request information on how Oppenheimer has voted proxies for their accounts and may request Oppenheimer's Proxy Voting Policies and Procedures by contacting;

Oppenheimer & Co. Inc.  
85 Broad Street, New York, NY 10004  
Attn: Proxy Voting Department  
212-885-4828

If Oppenheimer does not have authority to vote client securities, clients will receive their proxies directly from their custodian.

## **ITEM 18. FINANCIAL INFORMATION**

Not applicable.