

## PART 2A OF FORM ADV: FIRM BROCHURE

### ITEM 1. COVER PAGE

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March 30, 2011

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 Cheryl Cowan, Client Services Supervisor at 212-440-4664 or at [Cheryl.Cowan@opco.com](mailto:Cheryl.Cowan@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

On July 28, 2010, the United States Securities and Exchange Commission (“SEC”) adopted amendments to Form ADV and the rules concerning delivery of brochures to clients of registered investment advisers. This Brochure, dated March 30, 2011, is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure, dated January 31, 2011, did not require.

In the future, this Item will discuss material changes, if any, made to this Brochure as part of our annual update.

A summary of any material changes to this and subsequent Brochures will be provided to you within 120 days of the close of our business’ fiscal year. We may also provide you with additional updates or other disclosure information at other times during the year in the event of any material changes to our business.

You may request the most recent version of this brochure by contacting Cheryl Cowan, Client Services Supervisor at 212-440-4664 or Cheryl.Cowan@opco.com.

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#### ITEM 4. ADVISORY BUSINESS

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

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

OPCO 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”)  
Delta Advisory Programs (“Delta”)

This brochure provides information about the FAM and Alpha programs and about investment consulting and retirement services. Information about the OMEGA Services program, the Preference Advisory Program and the Delta Advisory Program is provided in separate brochures.

##### Fahnestock Asset Management – FAM

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

##### Alpha Advisory Program - Alpha

The Alpha Advisory Program (“Alpha”) is an advisory program in which Financial Advisors of OPCO provide discretionary investment management services for equity, balanced and fixed income portfolios.

##### Consulting Services

OPCO provides non-discretionary investment consulting services to institutional clients. 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

OPCO provides non-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

OPCO's consulting services do not include custodial services from OPCO. OPCO does not introduce portfolio managers affiliated with OPCO to clients who enter into a consulting services agreement.

## Oppenheimer Activist Partners LP and Oppenheimer Activist Fund Ltd

OPCO 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.

OPCO also serves as the management company to the Oppenheimer Activist Fund Ltd, an exempted company incorporated under the laws of the Cayman Islands in September 2005 to operate a private investment fund for the benefit of non-U.S. investors and U.S. tax-exempt investors. Opco Activist Offshore LLC, a limited liability company organized under the laws of the State of Delaware, and owned by OPCO, serves as the investment manager of Oppenheimer Activist Fund Ltd.

OPCO manages separate accounts in accordance with the individual financial objectives of clients, taking into account client's risk tolerance, need for liquidity and investment restrictions. Clients who open separate accounts may impose restrictions on the management of the account.

## Assets under Management

With respect to the advisory services described in this brochure, as of December 31, 2010 OPCO managed \$1,975,585,072 of client assets on a discretionary basis and approximately \$2.3 billion 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 OPCO's assets under management in Item 5F of Part 1A of Form ADV.

## ITEM 5. FEES AND COMPENSATION

### FAM Separate Account Fees

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

The fee for equity and balance portfolio 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 OPCO, 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.

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.

### Alpha Separate Account Charges

OPCO is compensated for the advisory and other services provided for Alpha accounts by the payment of brokerage commissions on securities transactions executed by OPCO. Commission rates may be discounted.

### 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 from 0.05% 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 OPCO's fees out of their assets or to have OPCO send them a bill for services. We generally bill or deduct fees once every quarter in advance for FAM accounts. We charge commissions on FAM and 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 following:

- the fees and charges of any custodian other than OPCO 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 by 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.

FAM clients that pay fees in advance and terminate the agreement receive a pro rata refund of fees.

OPCO Financial Advisors receive a portion of the fees paid by clients to OPCO for FAM accounts or Consulting and Retirement Services. OPCO Financial Advisors also receive a portion of the commissions paid by clients to OPCO 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 OPCO. Although 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. OMEGA, FAM and Alpha are programs in which the Financial Advisors of OPCO provide discretionary management services. Oppenheimer Asset Management Inc., an affiliate of OPCO, offers programs that provide management services from a variety of 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 Alpha 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 OPCO are invested automatically in a money market fund. OPCO receives 12b-1 distribution fees from the affiliates of the money market funds that are available for investment of cash. The money market sweep funds are not managed by OPCO or any of its affiliates. OPCO receives 12b-1 payments based on the difference between the cash sweep funds' total expense ratio and a sliding scale formula based on average customer assets in the fund.

OPCO may receive a maximum payment of 1.14% of average customer assets in the cash sweep fund. Distribution fees paid to OPCO by the sweep funds or their affiliates are not offset against advisory fees payable to OPCO.

### Opco Activist Partners LP and Oppenheimer Activist Fund Ltd

As management company to Opco Activist Partners LP, OPCO receives quarterly compensation in the amount of 0.25% of each limited partner's beginning account balance (1.0% per annum) of the Fund. Oppenheimer Activist Fund Ltd pays a quarterly management fee as of the beginning of each fiscal quarter equal to 0.25% (1.00 annualized) of the net asset value of each series of shares of the Fund as of the last day of the previous quarter.

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

Richard Perano, an OPCO Financial Advisor, manages Alpha accounts, OMEGA accounts and Delta accounts, an advisory program which charges both a management fee and a performance fee. Accounts managed by Mr. Perano in the Alpha and Delta programs are managed according to a long/short strategy. Accounts in the OMEGA program are long only. The Delta program has a higher minimum than the Alpha program and clients must meet certain qualifications to participate in the Delta program.

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

OPCO provides advice to individuals, trusts, pension plans 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 and the Retirement Services advisory program provide non-discretionary investment consulting services for client assets that are not custodied at OPCO. Services are provided by OPCO Financial Advisors under the supervision of the product supervisor. Financial Advisors must submit an application to become eligible to



provide Consulting Services or 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 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, OPCO 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 a good time to buy) or overpriced (indicating it may be 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.

### 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).

#### 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.

### 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 not be undervalued

### 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 effect 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 OPCO based on its failure to supervise an employee, with a view to preventing and detecting the employee’s violations of the Federal Securities Laws. The SEC alleged that OPCO’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 OPCO for execution at prices that were favorable to OPCO and detrimental to the other broker-dealer’s customers. The two individuals exchanged several emails, but because of a deficiency in OPCO’s email review procedures, none of its employee’s emails were reviewed by OPCO staff as required by OPCO’s electronic communications policy.

Undertaking: Without admitting or denying these allegations OPCO has undertaken to review its policies, procedures and systems regarding the capture and reviewing of electronic communications by its employees and shall submit a report to the SEC.

OPCO 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. OPCO was censured and fined \$850,000. OPCO has undertaken to review its policies, procedures and systems regarding the capture and reviewing of electronic communications by its employees.

(2) The Office of Financial Regulation, State of Florida and OPCO entered into a stipulation and consent agreement (Administrative Proceeding No. 0335-S-4/07) executed by OPCO on August 14, 2007 and accepted by the Office of Financial Regulation on or about August 27, 2007, in which OPCO consented to the entry of a finding that OPCO 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. OPCO paid a \$15,000.00 fine, and agreed to cease and desist from such future violations.

(3) Registered representative of OPCO filled out renewal form incorrectly and Missouri registration was inadvertently terminated. OPCO failed to file registration exemption paperwork for 1 Registered Representative. Registered representative received



unauthorized loan from client (friend) via wire from client's margin account to RR's undisclosed outside business interest.

OPCO agreed on June 15, 2005 to make retribution and pay Missouri's costs for a total of \$122,050.00.

(4) NASD alleged that OPCO 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; OPCO'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. OPCO 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, OPCO failed to file a Form 211 with NASD at least three business days before OPCO's quotations were published or displayed in a quotation medium.

Without admitting or denying the allegations, OPCO agreed on November 3, 2006 to pay a fine of \$27,500.00, payable on a date determined by the NASD.

(5) On January 30, 2002, the NASD alleged that OPCO failed to use reasonable diligence to ascertain the best inter-market and failed to buy or sell in such market so that the resulting price to its customer was as favorable as possible under prevailing market conditions.

On April 18, 2002, OPCO agreed to pay restitution of \$5,906.25 plus interest and a fine of \$5,000.00.

(6) On December 18, 2002, the NASD alleged that OPCO was a market maker in securities, and an order was presented to OPCO at its published bid or published offer in an amount up to its published quotations size and OPCO failed to execute the orders upon presentment and thereby failed to honor its published quotation.

On March 13, 2003, OPCO agreed to pay a fine of \$5,000.

(7) On October 16, 2007, the NASD alleged that during the period from October 1, 2005 through December 31, 2005, in seven customer transactions, OPCO 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.

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, OPCO consented to the described sanctions and to the entry of findings; therefore OPCO is censured, fined \$15,000 and required to pay \$6,852.51 in restitution to its customers.

(8) On April 15, 2008, the NASD alleged that OPCO executed short sale transactions and failed to report them to the trade reporting facility, formerly the NASDQ Market Center, with a short sale modifier. OPCO 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. OPCO 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. OPCO continued to have fail 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, OPCO consented on April 15, 2008 to the described sanctions and to the entry of findings; therefore, OPCO is censured and fined \$25,000.00.

(9) On September 24, 2008, the NASD alleged that OPCO 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. OPCO reported riskless principal orders to OATS without using the correct reporting exception code. OPCO 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, OPCO consented on September 24, 2008 to the described sanctions and to the entry of findings; therefore, OPCO is censured and fined \$12,500.00.

(10) On July 30, 2008, the NASD alleged that OPCO 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 OPCO Policy.

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

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

Without admitting or denying the allegations OPCO consented on December 21, 2007 to a fine of \$250,000, disgorgement, censure and an officer of OPCO must certify to the NASD that payment to affected mutual funds has been made.

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

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

(13) On June 30, 2009, the NASD alleged that OPCO 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 OPCO 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, OPCO consented on June 30, 2009 to the described sanctions and to the entry of findings; therefore, OPCO is censured and fined \$7,500.00.

(14) On June 30, 2006, the NASD alleged that OPCO as an Intermarket Trading System/Computer Assisted Execution System (ITS/CAES Market Maker, failed to maintain continuous two-sided quotations in the absence of the grant of an excused withdrawal or functional excused withdrawal by NASD; and OPCO’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to applicable securities laws, regulations and NASD Rules concerning maintaining two-sided quotations as an ITS/CAES Market Maker.

Without admitting or denying the findings, OPCO consented on June 30, 2006 to the described sanctions and to the entry of findings; therefore, OPCO is censured, fined \$17,500 and required to revise its written supervisory procedures with respect to maintaining two-sided quotations as an ITS/CAES Market Maker within 30 business days of acceptance of this AWC by the NAC.

(15) Massachusetts Securities Division (“MSD”) alleges that OPCO 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 are alleged to have arisen from OPCO’s marketing and sales of certain auction rate securities. The MSD characterizes the alleged conduct associated with these actions as dishonest, fraudulent and unethical.

On February 26, 2010, OPCO entered into a consent order with the MSD. OPCO 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. OPCO 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.

(16) OPCO was alleged by the NASD to have (A) failed to file MSRB Form G-36 and an official statement for three (3) underwritings in a timely manner and (B) alleged to have filed an inaccurate MSRB Form G-37. OPCO was also alleged to have failed to provide information on consulting agreements with issuers with which it was seeking municipal securities business and of failing to disclose information regarding consultants to issuers. OPCO neither admits or denies the accusations and consented on February 3, 2006 to a censure and a \$20,000.00 fine.

(17) NYSE alleged various sales practices and operational deficiencies arising out of examinations by the NYSE conducted during 2002, 2003, 2004 and 2005. Allegations include, but were not limited to, failure to monitor floor activities, inadequacies relating to manual price changes of securities and electronic and other communications, failure to timely transfer customer assets to other broker-dealers, deficiencies regarding solicitation of a private placement of securities, lack of disclosure of revenue sharing payouts, inadequate reconciliation of books and records and accounts, inaccurate capital computations, failure to monitor client activity levels in non-managed fee based accounts, lack of evidence of delivery of preliminary prospectuses, various other deficiencies and failure to make timely notification to the Exchange about certain significant problems that arose after a conversion in May 2003. OPCO neither admitted or denied allegations.

Allegations cover sales practice and operational reviews in 2002, 2003, 2004, and 2005. Without admitting or denying guilt, OPCO consented on December 29, 2005 and paid \$1.35 million fine.

(18) OPCO, without admitting or denying the allegations, made by the NASD on November 11, 2003, consented on January 16, 2004 to the findings in connection with the following rules. NASD Conduct Rule 3370, NASD Marketplace Rule 6130 (D), NASD Marketplace Rule 6620(C)(2). SEC Rule 17A-3 and NASD Rule 3110. OPCO agreed to a censure and fine of \$3,500.

(19) On December 14, 2005, the New York Stock Exchange alleged that OPCO had performed inadequate review of wire transfers in foreign branch office; OPCO had inadequate AML Policies and Procedures for review of foreign branch office

transactions; OPCO's process for handling filing of "SARS" was not adequate under BSA provisions; and failure to maintain adequate books and records relating to journal transfer was occurring in a foreign branch office. On December 14, 2005, OPCO agreed to a censure and to pay a fine of \$2,800,000.

(20) On October 18, 2004, the NASD alleged that OPCO effected two short sales in certain securities for the firm's proprietary accounts and failed to make and annotate an affirmative determination that the firm could borrow the securities or otherwise provide for delivery of the securities by settlement date. OPCO executed five short sales order in CQS securities and failed to properly mark the orders as short on its trading ledger. Also, OPCO on three occasions failed to provide written notification disclosing to its customer its correct capacity in the transaction. OPCO incorrectly stated its capacity as agent on the customer confirmations. In addition, OPCO failed on one occasion to show the time of order receipt on the memorandum of its brokerage orders and failed on one occasion to show the correct volume on the memorandum of its brokerage orders. OPCO failed on three occasions to document the name of each dealer it contacted and the quotations received to determine the best inter-dealer market. OPCO, registered with NASD as an ITS/CAES Market Maker, as the term is defined in NASD Marketplace Rule 5210 (E), in each security in which it made a market in ITS, failed in 78 instances to maintain continuous two-sided quotations in the absence of the grant of an excused withdrawal or a functional excused withdrawal by the NASD. OPCO's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable Securities Laws and Regulations, and the Rules ITS/CAES of NASD, concerning: (I) registration qualifications of firm personnel, (II) best execution, (III) anti-intimidation, (IV) short sales, and (V) maintaining continuous two-sided quotations as an ITS/CAES Market Maker.

On May 17, 2005, OPCO agreed to a fine of \$32,500 and a censure.

(21) On April 26, 2005, the NASD alleged that OPCO 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, OPCO 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.

(22) OPCO was charged by the NYSE for matters primarily concerning net capital calculations related to incomplete receipt of mutual fund data in connection with the

firm's acquisition of another broker/dealer. At no time was there a deficiency in either OPCO's books and records or net capital.

On July 11, 2003, OPCO agreed to pay a fine of \$500,000, a censure and a requirement to comply with two undertakings.

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

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

(24) On January 31, 2007, Robert S. Okin, Executive Vice President National Sales, agreed to pay a fine of \$150,000 to the SEC based on allegations that Mr. Okin failed to reasonably supervise certain registered representatives when he was at another firm. Mr. Okin also was suspended from associating with a securities firm in a supervisory capacity for a 12 month period commencing on June 9, 2008.

## ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### Broker –Dealer Registration Status

OPCO is a registered broker-dealer. Albert Lowenthal, Chairman, Robert Okin, Executive Vice President National Sales, Jeffrey Alfano, Chief Financial Officer, Allen Holeman, Chief Compliance Officer and Lawrence Spaulding, Executive Vice President and Chief Operations Officer, are registered representatives of OPCO but do not function in that capacity.

### Futures Commission Merchant Commodity Pool Operator or Commodity Trading Adviser Registration Status.

OPCO is registered as a futures commission merchant.

### Material Relationship or Arrangement with Industry Participants

An affiliate of OPCO 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 OPCO receive a portion of the management fee and incentive fee paid by collective investment vehicles to affiliates of OPCO and may have a financial incentive to recommend those collective investment vehicles.

OPCO also is a registered broker dealer and full service investment firm as well as a registered investment adviser. OPCO provides services such as investment banking, equity research, institutional sales, municipal finance and debt capital markets. Oppenheimer Trust Company, an affiliate of OPCO, provides trust services to high net worth individuals, not for profit organizations and businesses. Oppenheimer Trust Company may recommend OPCO 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 OPCO for participating in these programs. Advisers or distributors of mutual funds available in OPCO 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 OPCO. These affiliates of mutual funds also may pay for the cost of reasonable entertainment in connection with OPCO sponsored or client related events. OPCO 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 OPCO advisory programs may have other business relationships with OPCO such as institutional trading. OPCO 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 OPCO a mutual fund support fee for marketing, training operations and systems support with respect to mutual fund shares sold to clients in their OPCO 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 OPCO. 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 OPCO. Sponsors of UITs may have trading relationships with OPCO. 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 OPCO recommends to clients in the Consulting Services or Retirement Services programs may have other business relationships with OPCO such as institutional trading. OPCO 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 OPCO are invited such as meals or golf outings.

Financial Advisors must receive the approval of the Product Manager before attending any of these events.

### Research

OPCO has procedures in place to avoid improper communications between OPCO research employees and employees of other OPCO departments including Financial Advisors of OPCO. OPCO 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 OPCO to another, OPCO 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 OPCO 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

OPCO 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 OPCO or its affiliates. OPCO 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 OPCO under these arrangements.

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

### Code of Ethics

OPCO 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 OPCO 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.

OPCO 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 OPCO. For client accounts of OPCO pursuing the same investment strategy, OPCO 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. OPCO and its officers and employees devote as much of their time to the activities of its clients as OPCO deems necessary and appropriate.

OPCO 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. OPCO may, on occasion, act as broker for an advisory client of OPCO 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 OPCO 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 OPCO, Financial Advisors may indirectly receive a portion of client commissions paid to OPCO.

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

## ITEM 12 BROKERAGE PRACTICES

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

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

## 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. At the end of each calendar quarter, 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

OPCO 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 OPCO.

#### ITEM 15 CUSTODY

OPCO is a qualified custodian and maintains direct custody of clients' funds or securities. OPCO 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 OPCO. 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 OPCO. Clients should compare the account statement they receive from their qualified custodian to the quarterly performance report they receive from OPCO.

#### ITEM 16 INVESTMENT DISCRETION

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

#### ITEM 17 VOTING CLIENT SECURITIES

OPCO generally does not vote proxies for securities held in FAM and Alpha accounts unless specifically requested to do so by a client. OPCO 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.

OPCO votes proxies in a manner intended to maximize the value of investments to its clients. When voting proxies, OPCO gives substantial weight to the recommendation of management but will not support the position of a company's management if OPCO determines that such position is not in the best interest of a company's shareholders (such as golden parachutes or option grants that dilute shareholder interest). For example, OPCO does not support golden parachutes. A golden parachute is a provision in an executive's employment agreement that entitles the executive to large benefits if the company is acquired and the executive's employment is terminated.

OPCO generally votes in favor of candidates proposed by a company's board of directors and for a board's recommendation to increase or decrease its size. OPCO generally votes against shareholders proposals to limit the tenure of outside directors and generally votes against proposals to classify or stagger the board.

OPCO votes for shareholder proposals that ask a company to submit its poison pill for shareholder ratification. OPCO evaluates on a case by case basis shareholder proposals to redeem a company's poison pill and management proposals to ratify a poison pill. A poison pill is a way that a company might use to protect itself against unwanted takeover bids such as stock issues, special distributions, spin-offs and management pay-outs. OPCO votes for proposals to restrict greenmail payments and evaluates on a case by case basis anti-greenmail proposals when they are bundled with charter or bylaw amendments. Greenmail means an agreement between a large shareholder and company where the shareholder sells his stock back to the company for a large payment and the promise not to seek control of the company. Anti-greenmail provisions prevent these arrangements unless the same repurchase offer is made to all shareholders or approved by shareholder vote. OPCO votes against management proposals to require a supermajority shareholder vote to approve mergers and other significant business combinations.

OPCO generally votes against proposals to restrict or prohibit shareholder ability to call special meetings and against management proposals to change the size of a board without shareholder approval.

OPCO makes proxy voting decisions according to guidelines that seek to protect clients' economic interests. Accordingly, OPCO abstains from voting on ethical and social proposals unless OPCO believes that those proposals have significant economic consequences.

From time to time proxy proposals may present conflicts between the interest of clients and OPCO, its employees and its affiliates. These conflicts may arise when proxy votes on non-routine matters are solicited by an issuer that has a business relationship with OPCO or, its employees or affiliates. If OPCO receives a proxy and knows that one or more of the proposal in the proxy raises a conflict of interest that is material. OPCO may vote that proposals according to existing guidelines if the policy with respect to the proposal is specific and does not involve a case-by-case analysis. If the proposal is not specific and involves a case-by-case analysis, OPCO may vote the proposal according to

the policies of an independent third party such as Investor Responsibility Research Center.

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

Oppenheimer Asset Management Inc.  
125 Broad Street, New York, NY 10004  
Attn: Proxy Voting Department

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

#### ITEM 18 FINANCIAL INFORMATION

Not applicable.