



## PART 2A APPENDIX 1 OF FORM ADV - DELTA

### ITEM 1. Cover Page

Oppenheimer & Co. Inc.  
85 Broad Street  
New York, NY 10004  
[www.opco.com](http://www.opco.com)

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This wrap fee program brochure (the “Brochure”) provides information about the qualifications and business practices of Oppenheimer & Co. Inc., a registered investment adviser. 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 as an investment adviser does not imply a certain level of skill or training.

**ITEM 2. Material Changes**

There are no material changes from the Form ADV Part 2A dated March 13, 2012. If any material changes are made to this Brochure, this section will be revised to include a summary of such changes.

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](mailto:Cheryl.Cowan@opco.com).

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#### **ITEM 4. Services, Fees and Compensation.**

Oppenheimer & Co. Inc. (“Oppenheimer”) is the sponsor of the following wrap fee and other advisory programs:

OMEGA Services Program  
Fahnestock Asset Management  
Alpha Advisory Program  
Preference Advisory Program  
Delta Advisory Program

This brochure provides information about the Delta program.

##### **Delta Advisory Program**

Oppenheimer provides discretionary investment management services through the Delta program. The annual management fee for Delta accounts is 1.50% of the value of the account. The Delta program does not currently have any open accounts.

Delta accounts also may be charged an incentive fee at the end of each calendar year (the “Incentive Fee”). An Incentive Fee will be earned when the market value of the assets in an account (on the last day of the calendar year) exceeds the “High Water Mark”. The High Water Mark is the market value of the assets on the commencement date of the account until the first time an Incentive Fee is charged after which the High Water Mark is the market value of the assets as of the last time an Incentive Fee was charged. The High Water Mark will be adjusted to reflect any deposits or withdrawals during the calendar year. The Incentive Fee will be equal to 20% of the amount by which the market value of the assets exceeds the High Water Mark. Thus, if the Account suffers losses (as measured from the High Water Mark), those losses would have to recoup before Oppenheimer would be eligible to receive an Incentive Fee. In addition, no Incentive Fee will be charged at the end of the first calendar year if the commencement date of the account is after the first business day of the fourth calendar quarter of the calendar year. In such event, Oppenheimer will charge an Incentive Fee at the end of the second calendar year and will include the period of time from the commencement date of the account through the end of the second calendar year. If the account is terminated after being effective for more than three months as of any date other than the end of a calendar year, Oppenheimer shall be entitled to an Incentive Fee as calculated above.

The services that are provided for the management fee and the Incentive Fee include portfolio management, performance reporting, brokerage commissions for agency transactions executed by Oppenheimer, compensation to the registered representatives of Oppenheimer who act as portfolio managers and custody services provided by Oppenheimer.

Generally, fixed income securities transactions will be executed through broker-dealers other than Oppenheimer on a principal basis.

The Delta program may cost a client more or less than the cost of purchasing these services separately. The long / short strategy used in the Delta program is not available in the OMEGA program but is available for accounts managed in the Alpha program. The minimum to open an Alpha account is lower than the minimum for a Delta account. An account that does not have frequent securities transactions would cost less in the Alpha program which charges commissions only.

In addition to the wrap fee, clients may pay dealer markups or markdowns in principal transactions with broker dealers other than Oppenheimer, or commissions charged by broker dealers other than Oppenheimer, ADR agency processing fees, odd lot differentials, Exchange or SEC fees, transfer taxes and any other charges imposed by law. Assets held in the account in cash will be invested in money market

mutual funds. Shareholders in mutual funds bear their proportionate share of the expenses of the mutual fund. If any mutual funds held in a client's Delta account pay 12b-1 fees to Oppenheimer, those payments will be used to offset the fee payable to Oppenheimer.

Delta accounts may engage in short selling. A Delta account will not receive any short credit interest and a Delta account will not be charged for the cost of any stock loans.

Financial Advisors of Oppenheimer receive a portion of the management and incentive fees paid by their clients in the Delta program. The amount of this compensation may be more than what the Financial Advisor would receive if the client participated in other programs or paid separately for investment advice, brokerage and other services which do not have incentive fees. A Financial Advisor therefore may have a financial incentive to recommend the Delta program over other programs or services. The minimum to open an Alpha account is lower than the minimum for a Delta account. Branch Managers review advisory accounts for suitability before they are opened.

#### Cash Sweep Funds in all Advisory Programs.

Cash balances in the Delta program and all advisory programs sponsored by Oppenheimer are invested automatically in a money market fund. Oppenheimer 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 Oppenheimer or any of its affiliates. Oppenheimer 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.

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

#### **ITEM 5. Account Requirements and Types of Clients**

The minimum for a Delta account is \$200,000. The minimum for Delta accounts that are opened with assets liquidated from an Alpha account is \$100,000.

Clients in the Delta program include individuals, trusts, and business entities.

#### **ITEM 6. Portfolio Manager Selection and Evaluation.**

Financial Advisors of Oppenheimer must submit an application to become a Delta portfolio manager. The application must be approved by the Financial Advisor's Branch Manager and by the Delta product manager. Approval is based on a review of the Financial Advisor's investment experience. All Delta portfolio managers receive training in portfolio management techniques before they open Delta accounts. Clients select the Financial Advisor that they wish to manage their Delta account.

In order to open a Delta account a client must have either at least \$750,000 under management with Oppenheimer, have a net worth of \$1,500,00 or be a qualified purchaser as defined by section 2(a)(51)(A) of the Investment Company Act of 1940. Before enrolling in the Delta program, clients must complete a client profile which includes personal and financial information about the client such as date of birth, expected retirement date, dependents and annual income. The profile also includes a section on the client's investment goals and risk tolerance. This section is designed to assess the client's investment goals, tolerance for volatility and risk. Clients also complete a new account form prior to establishing a brokerage account with Oppenheimer and an option account form.

**The Modified Dietz Method** is used to calculate monthly performance returns for Delta accounts which are then geometrically linked to calculate the cumulative performance return. If more than 12 months of data, the cumulative performance is annualized. This methodology is used to calculate performance returns for single account performance as well as consolidated account reporting. Consolidated performance reporting market values from each account are combined and performance is then calculated as a single account.

Only Financial Advisors of Oppenheimer are eligible to act as portfolio managers to clients in the Delta program. See item 6A for information on how Oppenheimer approves and monitors Delta portfolio managers.

The Delta program provides discretionary management services for equity accounts. Portfolio management services are provided by Financial Advisors of Oppenheimer.

Clients may impose restrictions on investing in certain securities and types of securities. Accounts are managed to meet individual client needs and objectives.

Oppenheimer Financial Advisors who manage Delta accounts, which charge a performance fee, as well as other accounts which do not charge a performance fee face a conflict of interest in that they have an incentive to favor Delta accounts that charge a performance fee over other types of accounts. Oppenheimer attempts to mitigate this conflict by virtue of the fact that Delta accounts are managed according to a long/short strategy which is not available in the OMEGA program.

#### Delta Investment Strategies

Delta accounts are managed using a value-based long /short equity strategy. Accounts generally hold between 60-80 positions. Securities are diversified across sectors and industries and include US and international stocks, ADRs and Exchange Traded Funds (“ETFs”).

#### Delta Investment Methodologies

Delta accounts are managed using the following types of analysis;

Value based fundamental analysis using:

- Daily news analysis
- Research from affiliate Oppenheimer Asset Management Inc.
- Third party industry research

#### Evaluation of Market Indices

Market Indices are studied to compare current market levels to past market cycles, Value based criteria focus on

- price/normalized earnings
- price/cash flow
- price/sales
- price/ tangible book value

#### Industry Focus

- looks for industries expected to perform or underperform in next three to five years

### Risk Factors

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.

### 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.

### Risk of Net-Long Bias

Delta 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 Delta accounts to more downside volatility than would be the case if Delta accounts had greater short exposure.

### Short Selling

Delta 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.



### Exchange Traded Funds and Other Similar Instruments

Shares of exchange traded funds (“ETFs”) and other similar instruments may be purchased or sold short by Delta 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, a Delta 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

Delta 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.

### Review of Client Accounts

The Client Services Group of OAM performs the following periodic reviews of Delta accounts:

#### Average Price Control Accounts Reconciliation

A daily review is performed to reconcile block trades versus customer allocations in the trading control accounts. The purpose of the review is to identify any correct and differences to ensure client allocations are complete and accurate.

#### OMS Capacity Discrepancy Report

OMS Capacity Discrepancy Report is a daily report that monitors the capacity of all order management system trades. The purpose of the report is to identify any trades not executed in an agency capacity so that they can be corrected.

#### FINET to Portfolio System Reconciliation

A daily comparison of cash and security positions is made between the books and records of the firm and the portfolio system to ensure proper calculation of performance and billing. This reconciliation allows for the identification of short positions, account switches or account closes.

#### Monthly Performance Review

Monthly performance returns on the portfolio system are reviewed and compared to other account returns under the same manager and index returns to look for outliers. The portfolio holdings and activity for outlying accounts may be examined to verify the performance return.

The Product Manager performs the following daily reviews:

Reconciliation report:

Daily reconciliation report is generated to monitor whether securities purchased for Delta accounts meet investment guidelines.

#### Trade Surveillance

- Reconciliation report monitors that agency trades are made without commission charges in Delta accounts.
- Reconciliation report monitors order priority, pricing and block trades.

Clients receive quarterly written performance reports regarding their account. Quarterly performance reports include performance of the account for the most recent quarter, year to date and for the past one, three and five year periods, if applicable, compared to three benchmark indexes. Clients also receive a monthly custodian statement from Oppenheimer for accounts that are custodied at Oppenheimer. The custodian statement shows each security held in the account and each transaction executed during the month as well as contributions to the account and withdrawals from the account during the month.

#### Proxy Voting

When Oppenheimer has investment discretion for a client account, Oppenheimer votes proxies for securities held in the account, unless the client elects to vote proxies. Oppenheimer has adopted policies with respect to the voting of proxies for client's accounts, which are summarized below. Clients can not direct Oppenheimer's vote in a particular solicitation.

Oppenheimer votes proxies in a manner intended to maximize the value of investments to its clients. When voting proxies, Oppenheimer gives substantial weight to the recommendation of management but does not support the position of a company's management if Oppenheimer determines that such position is not in the best interest of a company's shareholders. For example, Oppenheimer 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.

Oppenheimer 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. Oppenheimer generally votes against shareholders proposals to limit the tenure of outside directors and generally votes against proposals to classify or stagger the board.

Oppenheimer votes for shareholder proposals that ask a company to submit its poison pill for shareholder ratification. Oppenheimer evaluates on a case by case basis shareholder proposals to redeem a company's poison pill and on a case by case basis with respect to 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. Oppenheimer votes for proposals to restrict greenmail payments and evaluates on a case by case anti-greenmail proposals when they are bundled with charter or bylaw amendments. Greenmail means an agreement between a large shareholder and a 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. Oppenheimer votes against management proposals to require a supermajority shareholder vote to approve mergers and other significant business combinations.

Oppenheimer 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.

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

From time to time proxy proposals may present conflicts between the interest of clients and Oppenheimer, 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 Oppenheimer or, its employees or affiliates. If Oppenheimer receives a proxy and has knowledge that one or more of the proposals in the proxy raises a material conflict of interest, Oppenheimer may vote that proposal 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, Oppenheimer 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 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.

#### **ITEM 7. Client Information Provided to Portfolio Managers**

The Client's questionnaire and a copy of the client's advisory agreement is sent to the Financial Advisor who manages the account. If a client communicates any change in financial circumstances that would affect the management of the account, that information generally is provided by the Client first to the Client's Financial Advisor.

#### **ITEM 8. Client Contact with Portfolio Managers**

Clients may contact their Financial Advisors at any time.

## ITEM 9. Additional Information

### Disciplinary Information

(1) On February 24, 2009 the SEC instituted administrative proceedings, against Oppenheimer or the 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 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.

Undertaking: Without admitting or denying these allegations Oppenheimer 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 Commission.

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. Oppenheimer was censured and fined \$850,000. Oppenheimer 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 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) Registered representative of Oppenheimer filled out renewal form incorrectly and Missouri registration was inadvertently terminated. Oppenheimer 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.

Oppenheimer agreed on June 15, 2005 to make retribution and pay Missouri's costs for a total of \$122,050.

(4) 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; incorrectly disclosed average 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 publication, 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, payable on a date determined by the NASD.

(5) On January 30, 2002, the NASD alleged that Oppenheimer 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, Oppenheimer 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 Oppenheimer was a market maker in securities, and an order was presented to Oppenheimer at Oppenheimer's published bid or published offer in an amount up to its published quotations size and Oppenheimer failed to execute the orders upon presentment and thereby failed to honor its published quotation.

On March 13, 2003, Oppenheimer 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, 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; therefore the firm 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 Oppenheimer executed short sale transactions and failed to report them to the trade reporting facility, formerly the NASDAQ 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 fail 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 out 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; therefore, Oppenheimer is censured and fined \$25,000.00

(9) On September 24, 2008, the NASD alleged that Oppenheimer failed to provide written notification disclosing to its customers its correct capacity in transactions. Oppenheimer transmitted to the Order Audit Trail System (OATS) Reports that contained inaccurate, incomplete or improperly formatted data – 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; therefore, the firm is censured and fined \$12,500.00.

(10) 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 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 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 records 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, censure and an officer of Oppenheimer must certify to the NASD that payment to affected mutual funds has been made.

(12) 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.

(13) On June 30, 2009, the NASD alleged that Oppenheimer failed, within 90 seconds after execution, to transmit to the FINRA/NASDAQ 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; therefore, Oppenheimer is censured and fined \$7,500.

(14) On June 30, 2006, the NASD alleged that Oppenheimer 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 a functional excused withdrawal by NASD; and Oppenheimer’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, Oppenheimer consented on June 30, 2006 to the described sanctions and to the entry of findings; therefore, Oppenheimer 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 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 are alleged to have arisen from Oppenheimer’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, 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 investigative and administrative hearing costs in an amount totaling \$250,000.00 to the Secretary of the Commonwealth of Massachusetts.



(16) Oppenheimer 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. Oppenheimer 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. Oppenheimer 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 practice 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. Oppenheimer neither admitted or denied allegations.

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

(18) Oppenheimer, 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. Oppenheimer agreed to a censure and fine of \$3,500.

(19) On December 14, 2005, the New York Stock Exchange alleged that the firm had performed inadequate review of wire transfers in foreign branch office; Oppenheimer had inadequate AML Policies and Procedures for review of foreign branch office transactions; Oppenheimer's process for handling filing of "SARS" was not adequate under BSA provisions; and failure to maintain adequate books and records relating to journal transfers was occurring in a foreign branch office.

On December 14, 2005, Oppenheimer agreed to a censure and to pay a fine of \$2,800,000.

(20) On October 18, 2004, the NASD alleged that Oppenheimer effected two short sales in certain securities for Oppenheimer's proprietary accounts and failed to make and annotate an affirmative determination that Oppenheimer could borrow the securities or otherwise provide for delivery of the securities by settlement date. Oppenheimer executed five short sales order in CQS securities and failed to properly mark the orders as short in its trading ledger. Also, Oppenheimer on three occasions failed to provide written notification disclosing to its customer its correct capacity in the transaction. Oppenheimer incorrectly stated its capacity as agent on the customer confirmations. In addition, Oppenheimer 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. Oppenheimer failed on three occasions to document the name of each dealer it contacted and the quotations received to determine the best inter-dealer market. The firm, 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. Oppenheimer'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, Oppenheimer agreed to a fine of \$32,500 and a censure.

(21) 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.

(22) Oppenheimer was charged by the NYSE for matters primarily concerning Oppenheimer net capital calculations related to incomplete receipt of mutual fund data in connection with Oppenheimer's acquisition of another broker/dealer. At no time was there a deficiency in either Oppenheimer's books and records or net capital.

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

(23) The NASD has 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 \$1million 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 the firm'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.

(25) 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.

#### Other Financial Industry Activities and Affiliations

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 Oppenheimer but do not function in that capacity.



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

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

### 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."

#### Compensation from other 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.

#### 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 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 advisor or general partner with respect to client accounts in such funds.

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 and 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.

#### Client Referrals and Other Compensation

Securities, including shares of mutual funds or ETFs that are held in Delta accounts, also may be purchased by Clients in their brokerage accounts upon payment of 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 the Delta program.

Oppenheimer pays cash compensation for client referrals in accordance with Rule 206(4)-3 under the Investment Advisers Act of 1940 to registered investment advisers. 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.

Oppenheimer also compensates unaffiliated third parties such as other broker-dealers, accountants and consultants for client referrals in accordance with Rule 206(4)-3. Compensation paid is a percentage of the fee payable by the referred clients and may include fees paid for the Delta program.