

## **PART 2A APPENDIX 1 OF FORM ADV**

### **OMEGA/Preference/Investment Consulting and Execution Services/Portfolio Advisory Service Financial Advisor Discretion/FAM Retirement Plan Version**

#### **Item 1. Cover Page**

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March 24, 2014

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**

The material change from the Form ADV Part 2A dated March 20, 2013 is as follows:

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

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

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).

**Item 3. Table of Contents**

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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  
Investment Consulting and Execution Services  
Portfolio Advisory Service Financial Advisor Discretion Program

This brochure provides information about the OMEGA, OMEGA Retirement, Preference, Preference Retirement, Fahnestock Asset Management Retirement, Fahnestock Asset Management Fee Only, Investment Consulting and Execution Services and Portfolio Advisory Service Financial Advisor Discretion and Portfolio Advisory Financial Advisor Discretion Retirement programs.

##### OMEGA Services Program

Oppenheimer provides discretionary investment management services through the OMEGA program. The fee schedule for OMEGA equity and balanced accounts is as follows:

3.00% of the value of an account up to \$250,000  
2.75% on the next \$250,000  
2.25% on the next \$500,000  
1.75% on the next \$1,000,000  
1.25% on the next \$3,000,000  
1.00% on the balance over \$5,000,000

The fee schedule for OMEGA fixed income accounts is as follows:

1.25% of the value of an account up to \$500,000  
1.00% on the next \$500,000  
0.85% of the next \$1,000,000  
0.75% on the next \$3,000,000

Fees are negotiable depending on the size of the account, overall client relationship with Oppenheimer and the discretion of the client’s financial advisor (“Financial Advisor”).

The services that are provided for the fee include portfolio management, performance reporting, brokerage commissions for agency transactions executed by Oppenheimer 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 OMEGA program may cost a client more or less than the cost of purchasing these services separately. The OMEGA wrap fee includes the cost of all brokerage transactions executed

through Oppenheimer so an investment strategy with low trading volume would cost less in an account that charged brokerage commissions rather than a wrap fee.

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 OMEGA account pay 12b-1 fees to Oppenheimer during a calendar quarter, those payments will be used to offset the fee payable to Oppenheimer during the next quarter.

Financial Advisors of Oppenheimer receive a portion of the fee paid by their clients in the OMEGA 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. A Financial Advisor therefore may have a financial incentive to recommend the OMEGA program over other programs or services. Before an account is opened, a client completes a confidential profile. The profile is reviewed by the Financial Advisor's branch manager and then by the Oppenheimer Product Management group.

#### OMEGA Retirement Plan

Oppenheimer is the sponsor of an OMEGA program for retirement plans that are governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The Program is called OMEGA- Retirement Plan. The OMEGA Retirement Plan program offers the same services as the OMEGA program. If any assets in a client's account in OMEGA –Retirement Plan are invested in a mutual fund that pays distribution fees to Oppenheimer, such payments will be offset against the fee payable by the client to Oppenheimer (the "Credit Amount"). The fee payable to Oppenheimer is negotiable.

#### Preference Advisory Program

Oppenheimer is the sponsor of the Preference Advisory ("Preference") program. Financial Advisors of Oppenheimer provide non-discretionary investment management services to clients in the Preference program. In addition to advisory services, the Preference program provides custody and execution services through Oppenheimer and performance reporting.

The fees for the Preference program are as follows:

- 2.25% of the value of an account up to \$250,000
- 1.8% of the next \$250,000
- 1.5% on the next \$500,000
- 1.3% on the next \$2,000,000
- 1.00% on assets over \$3,000,000

Fees are negotiable depending on the size of the account, overall client relationship with Oppenheimer and the discretion of the client's Financial Advisor. In certain instances, clients may pay a flat fee without breakpoints, which may be higher than the fee schedule shown above.

The fees charged for Preference accounts may cost a client more than it would cost to purchase these services separately. Clients can purchase ETFs and mutual funds in their brokerage accounts without paying an advisory fee to Oppenheimer but will pay the applicable sales charge.

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 unaffiliated 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 Preference Retirement Plan account that is an Individual Retirement Account or is subject to the Employee Retirement Income Security Act of 1974 as amended, pay 12b-1 distribution fees to Oppenheimer, those payments will be used to offset the fee payable by the client to Oppenheimer during the next quarter.

Financial Advisors of Oppenheimer receive a portion of the fee paid by their clients in the Preference program and may receive other fees, credits and compensation. 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. A Financial Advisor therefore may have a financial incentive to recommend the Preference program over other programs or services. Before a Preference account is opened, a client completes a confidential profile. The profile is reviewed by the Financial Advisor's Branch Manager and by the Product Management group.

#### Preference Retirement Plan

Oppenheimer is the sponsor of a Preference program for retirement plans that are governed by ERISA. The program is called Preference-Retirement Plan. The Preference-Retirement Plan program offers the same services as the Preference program. If any assets in a client's account are invested in a mutual fund that pays distribution fees to Oppenheimer, such payments will be offset against the fee payable by the client to Oppenheimer (the "Credit Amount"). The fee payable to Oppenheimer is negotiable.

When choosing an advisory program, clients should ask about other programs offered by Oppenheimer. Although there are differences in compensation structure among programs, there also are differences in the strategies and services provided. 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 Oppenheimer provide discretionary management services. Oppenheimer Asset Management Inc., an affiliate of Oppenheimer, 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.

#### Fahnestock Asset Management Retirement Plan Program

Oppenheimer is the sponsor of the Fahnstock Asset Management program for retirement plans (“FAM Retirement Plan”). In the FAM Retirement Plan program, Financial Advisors of Oppenheimer provide investment management services for equity, balanced and fixed income accounts for retirement plans. Investment services may be discretionary or non-discretionary.

The fee for accounts in FAM Retirement Plan is 2.50% of the value of assets in the account less the Credit Amount. Fees are negotiable based on the size of the account, the client’s overall relationship with Oppenheimer, the level of client service and the discretion of the Financial Advisor. The program offers the same services as the Fahnstock Asset Management program that is described in Oppenheimer’s Form ADV Part 2A brochure but has a different fee structure. If any assets in a client’s account in FAM-Retirement Plan are invested in a mutual fund that pays distribution fees to Oppenheimer, such payments will be offset against the fee payable to Oppenheimer (the “Credit Amount”).

#### Fahnstock Asset Management Fee Only

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

The FAM Fee Only program charges an annual fee payable quarterly at the rate of 1.5 percent of the value of securities in a FAM Fee Only account under \$500,000, 1.25 percent for the value of securities from \$500,000 to \$1 Million,  $\frac{3}{4}$  of 1 percent for the value of securities from \$1 Million to \$4 Million and  $\frac{1}{2}$  of 1 percent for the value of securities over \$4 Million.

Fees are negotiable based on the size of the account, the client’s overall relationship with Oppenheimer, the level of client service and the discretion of the client’s Financial Advisor.

There is also a version of FAM that charges fee plus commissions.

#### Investment Consulting and Execution Services

Oppenheimer 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 via third party provider
- Transactions through Oppenheimer

Fees for Consulting 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.

Oppenheimer will send either the client or custodian a bill for services.

Oppenheimer Financial Advisors receive a portion of the fees paid by clients to Oppenheimer for Investment Consulting and Execution Services.

#### Portfolio Advisory Service Financial Advisor Discretion Program

Oppenheimer is the sponsor of the Portfolio Advisory Service Financial Advisor Discretion Program (“PAS Directed”).

In PAS DIRECTED, Oppenheimer develops asset allocation strategies and selects mutual funds that appear to be compatible with a client’s investment objectives and provides quarterly performance reporting. Financial Advisors of Oppenheimer will be available to clients for consultation regarding the administration of an account, client's financial situation and client's investment goals, policies and constraints and risk tolerance.

The fee for the PAS DIRECTED program is as follows, less a credit amount for the greater of (i) 0.50% of the value of the assets in the Account or (ii) the actual 12b-1 fees paid to Oppenheimer during the preceding quarter attributable to the mutual funds held in the Account:

**2.25% of the value of an account up to \$500,000**

**2.00% of the next \$500,000**

**1.75% on assets over \$1,000,000**

2.25% of the value of an account up to \$500,000

2.00% of the next \$500,000

1.75% on assets over \$1 million

Fees are negotiable depending on the overall client relationship and the discretion of the client’s Financial Advisor.

In addition to the PAS DIRECTED fee, clients may be subject to charges imposed by law or by any mutual funds including redemption charges. Shareholders in mutual funds bear their proportionate share of the expenses of the mutual fund.

Financial Advisors of Oppenheimer receive a portion of the fee paid by their clients in the PAS DIRECTED 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 or other services. A financial advisor may have a financial incentive to recommend the PAS DIRECTED program over other programs or services.

The PAS DIRECTED program may cost a client more or less than the cost of purchasing these services separately.

#### PAS DIRECTED-Retirement Plan

Oppenheimer is the sponsor of a PAS DIRECTED program for retirement plans that are governed by ERISA. The program is called PAS DIRECTED-Retirement Plan. PAS DIRECTED-Retirement Plan offers the same services as PAS DIRECTED. To the extent that assets held in



the account are invested in mutual funds that pay distribution fees to Oppenheimer, such payments are offset against the fee payable to Oppenheimer (the “Credit Amount”). The fee payable to Oppenheimer is negotiable.

Cash Sweep Funds in OMEGA, Preference, FAM Retirement, FAM Fee Only and PAS DIRECTED programs.

Cash balances in the OMEGA, Preference, FAM Fee Only and PAS DIRECTED 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.

Any such distribution payments are credited back to clients in the OMEGA Retirement, Preference Retirement, FAM Retirement, FAM Fee Only and PAS DIRECTED Retirement programs.

Selection of Advisory Program by Retirement Plans. Oppenheimer Financial Advisors provide retirement plan clients with information about various advisory programs offered by Oppenheimer or its affiliate Oppenheimer Asset Management Inc (“OAM”). No representative of Oppenheimer or OAM has provided individualized advice or recommendations based on the particular needs of the retirement needs of the retirement plan regarding the selection of an advisory program. Such selection will be made by the retirement plan’s Responsible Plan Fiduciary.

**Item 5. Account Requirements and Types of Clients**

The minimum for an OMEGA account is \$100,000.

The minimum for a Preference account is \$50,000.

There is no minimum account size for FAM Retirement and FAM Fee Only programs.

There is no minimum account requirement for an Investment Consulting and Execution Services account.

The minimum for PAS DIRECTED is \$25,000.

Oppenheimer may waive these minimums in its discretion.

Clients in the programs described herein include individuals, trusts, pension and profit sharing plans and business entities.

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

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

Financial Advisors of Oppenheimer must submit an application and meet certain minimum requirements to become a PAS DIRECTED portfolio manager. The Consulting Group of Oppenheimer Asset Management Inc. (OAM), an affiliate of Oppenheimer, will approve the application after reviewing it and verifying the Financial Advisor's qualification.

Clients select the Oppenheimer Financial Advisor to manage their OMEGA or PAS DIRECTED account or provide advisory services for their Preference account.

Before enrolling in one of these programs, 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. Financial Advisors must submit an application to participate in the Preference Advisory program. The application must be approved by the Financial Advisor's Branch Manager and by the Product Management group. Branch Managers review Preference accounts for low trading activity or excessive trading activity and concentrated security positions.

Performance of OMEGA and PAS DIRECTED accounts is provided to clients in a Quarterly Portfolio Review ("QPR"). Performance is measured on a total return, net basis and presented inclusive of reinvested dividends (after the deduction of management and other fees). The QPR is presented on a trade date basis, reflecting holdings as of the day transactions are executed.

The Modified Dietz Method is used to calculate monthly performance returns for OMEGA and PAS DIRECTED 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.

### Review of Client Accounts

The Product Management group and the Financial Advisor's Branch Manager review accounts in the Preference Advisory program for low activity. Financial Advisors are required to review accounts with clients on a semi-annual basis and document the review. Branch Management may request the Product Management group to review a specific account, all Preference accounts in the branch or accounts of an individual Financial Advisor. In addition, Branch Management may request that the Product Management group review trading within an account, concentrated positions in an account or other transactions in an account. The Product Management group monitors trading in OMEGA accounts on a daily basis to determine that securities purchased are

eligible for the account are not charged commissions and are not executed on a principal basis if executed by Oppenheimer. On a periodic basis, the Product Management group reviews accounts against diversification guidelines for the OMEGA Program.

In the PAS DIRECTED program, the Financial Advisor monitors accounts and makes adjustments to allocations and/or investments as, or if, necessary based on the client's objectives. The Financial Advisor uses funds with which Oppenheimer currently has an active selling agreement and have been determined to be "program eligible". Fund eligibility is monitored on a periodic basis. PAS DIRECTED portfolios are required to be broadly diversified, and allocation guidelines and trade restrictions are monitored by the Client Services Group of OAM. Frequent trading is not permitted in PAS DIRECTED accounts, and is monitored by OAM. Portfolio suitability is also measured by the Client Services Group on the initial application.

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

#### OMEGA and PAS DIRECTED 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 Oppenheimer 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.

##### Reorganization/Tender Notices

Clients receive quarterly written performance reports regarding their account. Quarterly performance reports include performance of the account for the most recent quarter end, year to date, and for 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.

#### Preference Accounts:

With respect to Preference accounts, the Average Price Control Accounts Reconciliation described above is performed for fixed income trades. The OMS Capacity Discrepancy Report is also reviewed for Preference accounts.

The Modified Dietz Method also is used to calculate performance returns of Preference accounts. Performance is calculated and geometrically linked for quarterly returns.

Only Financial Advisors of Oppenheimer are eligible to act as portfolio managers to clients in the OMEGA and PAS DIRECTED programs or to provide advice to clients in the Preference program. See item 6 for information on how Oppenheimer approves and monitors OMEGA and PAS DIRECTED portfolio managers.

The OMEGA program provides discretionary management services for equity, balanced and fixed income accounts. The PAS DIRECTED program provides discretionary management services for mutual fund accounts. Portfolio management services are provided by Financial Advisors of Oppenheimer.

The Preference program provides non-discretionary management services. Advisory 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.

Certain Oppenheimer Financial Advisors also manage accounts or provide advisory services that are not in the programs described herein. Financial Advisors may manage accounts in the Alpha program, a discretionary advisory program that charges commissions only, and the Fahnstock Asset Management program, a discretionary advisory program that charges an asset based fee and commissions, and FAM Fee Only, which charges an asset based fee. OMEGA accounts must meet the diversification requirements of the OMEGA program. Accounts in the Alpha and FAM programs may be managed according to more customized guidelines.

Activity in FAM Retirement and FAM Fee Only program 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. In addition to supervision by the Branch Manager, the Product Management group supervises certain aspects of management and trading for FAM Retirement and FAM Fee Only program accounts.

FAM Retirement and FAM Fee Only program accounts may be reviewed more frequently if there is an unusual level of trading or pattern of trading.

FAM Retirement program and FAM Fee Only clients receive brokerage confirmations for all transactions (unless they have elected to waive receipt of confirmations) and monthly brokerage statements and a quarterly account statement.

Investment strategies for OMEGA accounts vary by Financial Advisor and include strategic asset allocation and tactical asset allocation. Equity and balanced accounts may use value, growth and momentum investing strategies.

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 OMEGA accounts

Financial Advisors who manage OMEGA 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 or overpriced.

Fundamental analysis may 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 is 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 OMEGA 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.

#### Methodologies and Strategies for FAM Retirement and FAM Fee Only program accounts

The investment strategies used in managing FAM Retirement and FAM Fee Only program 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 Retirement program accounts may use one or more of the following methods of analysis in managing client assets:



Fundamental Analysis. We may attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be an appropriate time to buy) or overpriced (indicating it may be an appropriate time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. We may analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

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

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

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

### Investment Strategies

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

Long-term purchases. We may purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when: we believe

the securities to be currently undervalued, and/or we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

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

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

#### Exchange Traded Funds and Other Similar Instruments

Shares of exchange traded funds (“ETFs”) and other similar instruments may be purchased by OMEGA, Preference or FAM Retirement or FAM Fee Only program 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

OMEGA, Preference, or FAM Retirement or FAM Fee Only program 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.

### 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.

Volatility of Investment Results. As with any investment in equity securities, the value of an investment in any of the strategies employed by OMEGA, Preference or FAM Retirement or FAM Fee Only program 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 OMEGA, Preference or FAM Retirement or FAM Fee Only program 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.

#### 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.

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.

### Investment Consulting and Execution Services

The Investment Consulting and Execution Services program provides non-discretionary investment consulting services for client assets that are not custodied at Oppenheimer. Services

are provided by Oppenheimer Financial Advisors under the supervision of their Branch Manager and the product supervisor. Financial Advisors must submit an application to become eligible to provide Investment Consulting and Execution Services program services to clients. The application must be approved by the Financial Advisor's Branch Manager and the product supervisor of Investment Consulting and Execution 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 Investment Consulting and Execution 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.

Client will instruct its custodian to provide account information to Oppenheimer and its third party provider via the third party provider's account access letter. Oppenheimer will use this third party provider to calculate performance and/or produce performance reports and such performance may be gross or net depending on whether the portfolio manager's fees are deducted from the account values reported by the custodian to Oppenheimer.

Financial Advisors make investment recommendations based on the needs of each client. Financial Advisors review existing investment policies, and if appropriate, develop the policies with the client to set guidelines for asset allocation and investment manager performance selection and retention criteria.

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

- risk tolerance level,
- time horizon,
- expected withdrawals,
- expected contributions, and
- long-term goals.

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

In addition to asset allocation and investment policy, Financial Advisors also make recommendations concerning the selection and retention of investment managers. Generally, managers will represent separate, distinct, and non-correlated investments typically covering a

variety of different risk and return parameters. In general, a variety of factors are reviewed when considering a manager; including

- style,
- credit quality,
- duration,
- risk,
- correlation,
- manager added value,
- manager objectives and
- expenses and performance.

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

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

#### 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 cannot direct Oppenheimer's vote.

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 knows that one or more of the proposals in the proxy raises a conflict of interest that is material, 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 proposed is specific and involves an analysis, Oppenheimer may vote (ii) 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.

Oppenheimer does not vote proxies for securities held in Preference accounts. Clients will receive proxy materials from Oppenheimer as custodian with respect to any securities held in their Preference accounts.

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

The Client's questionnaire and a copy of the client's advisory agreement are sent to the Financial Advisor who manages or provides services to 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 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 Oppenheimer 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 NASDQ Market Center, with a short sale modifier. Oppenheimer accepted short sale orders in equity securities from another person, or effected a short sale in equity securities for its own account without borrowing the security or entering into a bona fide arrangement to borrow the security; or reasonable grounds to believe that the security could be borrowed so that it could be delivered on the date delivery is due; and documenting compliance with SEC Rule 203(B)(1) of Regulation SHO. Oppenheimer had 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 fail 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, Oppenheimer 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's 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, firm 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 Oppenheimer 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. Oppenheimer, 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 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 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 Oppenheimer'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.

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

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

#### 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. Financial advisors receive a portion of the management fee and incentive fee paid by collective investment vehicles to affiliates of Oppenheimer and may have a financial incentive to recommend those collective investment vehicles.

Oppenheimer also is a registered broker dealer and full services investment firm as well as a registered investment adviser. Oppenheimer provides services such as investment banking, equity research, institutional sales, municipal finance and debt capital markets. Oppenheimer Trust Company, 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.

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

Mutual funds that are purchased in Oppenheimer advisory programs may have other business relationships with Oppenheimer such as institutional trading. Oppenheimer Financial Advisors

do not consider any such relationships when determining whether or not to recommend a mutual fund for one of the advisory programs.

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

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

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

#### 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.”

#### Payments from Other Investment Advisers

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

#### Code of Ethics

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

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

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

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

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

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

#### Client Referrals and Other Compensation

Securities, including shares of mutual funds that are held in OMEGA Preference or PAS DIRECTED accounts, also may be purchased by clients in their brokerage accounts without an advisory fee but with the 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 OMEGA, Preference or PAS DIRECTED programs.

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 includes fees paid for the OMEGA, OMEGA-Retirement, FAM Retirement, FAM Fee Only, Preference, Preference-Retirement, PAS DIRECTED and PAS DIRECTED-Retirement programs.