

TODCO
Form 425
July 02, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of report (date of earliest event reported): July 2, 2007

HERCULES OFFSHORE, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE
(State of incorporation
or organization)

0-51582
(Commission file number)

56-2542838
(I.R.S. employer
identification number)

11 GREENWAY PLAZA, SUITE 2950

HOUSTON, TEXAS
(Address of principal executive offices)

77046
(Zip code)
Registrant's telephone number, including area code: (713) 979-9300

(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

Item 8.01 Other Events.

Mr. David J. Crowley has informed Hercules Offshore, Inc. that he has decided to pursue a senior position in another oilfield services company. Accordingly, he will not join the Company as senior vice president of marketing and technical services following the merger, as previously expected. These responsibilities will instead report to John T. Rynd, who will serve as Executive Vice President and Chief Operating Officer of the Company following the merger.

Forward-Looking Statements

Forward-looking statements: Certain statements made herein are forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements are based on the current expectations and estimates of the management of Hercules and TODCO and are subject to risks and uncertainties that may cause actual results to differ materially. Although Hercules and TODCO believe that such expectations reflected in such forward-looking statements are reasonable, they cannot give assurances that such expectations will prove to be correct. You should not place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except as required by law, Hercules and TODCO undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Risks of the merger: Risks with respect to the combination of Hercules and TODCO include the risk that Hercules and TODCO will not be able to close the transaction, as well as difficulties in the integration of the operations and personnel of TODCO and diversion of management's attention away from other business concerns. Hercules and TODCO expect to incur substantial transaction and merger related costs associated with completing the merger, obtaining regulatory approvals, combining the operations of the two companies and achieving desired synergies. Additional unanticipated costs may be incurred in the integration of the businesses of Hercules and TODCO. Expected benefits of the merger may not be achieved in the near term, or at all. Hercules will have a significant amount of additional debt as a result of the merger. This debt will require Hercules to use cash flow to repay indebtedness, may have a material adverse effect on Hercules' financial health, and may limit Hercules' future operations and ability to borrow additional funds.

Business risks: Other risks and uncertainties that may affect actual results of Hercules and TODCO and the combined company after the merger include, among other things, oil and natural gas prices and industry expectations about future prices; demand for offshore and inland water rigs and liftboats; Hercules' and TODCO's ability to enter into and the terms of future contracts; the impact of governmental laws and regulations; increases in operating expenses; uncertainties relating to the level of activity in offshore oil and natural gas exploration, development and production; the availability of skilled personnel; extended delivery time for material and equipment; labor relations and work stoppages; operating hazards such as severe weather and seas, fires, cratering, blowouts, war, terrorism and inadequate insurance coverage; compliance with or breach of environmental laws; the impact of newly built rigs; the effect of litigation and contingencies; and the inability of Hercules or TODCO to achieve their plans or carry out their strategies. Other risks and uncertainties that may affect actual results are described in Hercules and TODCO's most recent periodic reports and other documents filed with the SEC, which are available free of charge at the SEC's website at <http://www.sec.gov>.

Additional Information and Where to Find It

In connection with the proposed merger, Hercules has filed with the Securities and Exchange Commission (the SEC) a Registration Statement on Form S-4 that includes a joint proxy statement of Hercules and TODCO and that also constitutes a prospectus of Hercules. INVESTORS ARE URGED TO READ THE REGISTRATION STATEMENT, AND ANY OTHER RELEVANT DOCUMENTS FILED WITH THE SEC, INCLUDING THE JOINT PROXY/PROSPECTUS THAT IS A PART OF THE REGISTRATION STATEMENT, BECAUSE THEY CONTAIN IMPORTANT INFORMATION REGARDING HERCULES, TODCO AND THE MERGER.

Investors and security holders of Hercules and TODCO may obtain a free copy of the joint proxy statement/prospectus and other documents containing information about Hercules and TODCO (when they become available), free of charge, at the SEC's website at <http://www.sec.gov>. Copies of the joint proxy statement/prospectus may also be obtained free of charge by directing a request to Hercules by contacting its investor relations department at 713-979-9832 or by accessing its website at <http://www.herculesoffshore.com> or TODCO by contacting its investor relations department at 713-278-6014 or by accessing its website at <http://www.theoffshoredrillingcompany.com>.

Hercules, TODCO and their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of Hercules and TODCO in connection with the merger. Information about the directors and executive officers of Hercules and TODCO and their ownership of Hercules' common stock is set forth in the Registration Statement on Form S-4 filed by Hercules with the SEC on April 24, 2007. Information about the directors and executive officers of TODCO and their ownership of TODCO common stock is set forth in Form 10-K/A (Amendment No. 1) which was filed with the SEC on April 24, 2007. Investors may obtain free copies of these documents from Hercules and TODCO using the contact information above. Investors may obtain additional information regarding the interests of such participants by reading the Registration Statement on Form S-4.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HERCULES OFFSHORE, INC.

Date: July 2, 2007

By: /s/ James W. Noe
James W. Noe
Senior Vice President, General Counsel,
Chief Compliance Officer and Secretary

4

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—

130,658

Gross amount of recognized liabilities for repurchase agreements and securities loaned

\$
857,646

\$
—

\$
857,646

91

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

The following tables present the gross amounts and the offsetting amounts of reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions as of December 31, 2015 and 2014:

As of December 31, 2015

(Expressed in thousands)

				Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Reverse repurchase agreements	\$282,042	\$(75,543)	\$206,499	\$(203,266)	\$—	\$3,233
Securities borrowed ⁽¹⁾	224,672	—	224,672	(219,099)	—	5,573
Total	\$506,714	\$(75,543)	\$431,171	\$(422,365)	\$—	\$8,806

(1)Included in receivable from brokers, dealers and clearing organizations on the consolidated balance sheet.

				Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
Repurchase agreements	\$726,988	\$(75,543)	\$651,445	\$(645,498)	\$—	\$5,947
Securities loaned ⁽²⁾	130,658	—	130,658	(122,650)	—	8,008
Total	\$857,646	\$(75,543)	\$782,103	\$(768,148)	\$—	\$13,955

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

As of December 31, 2014

(Expressed in thousands)

				Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Reverse repurchase agreements	\$314,266	\$(62,660)	\$251,606	\$(250,000)	\$—	\$1,606
Securities borrowed ⁽¹⁾	242,172	—	242,172	(234,376)	—	7,796
Total	\$556,438	\$(62,660)	\$493,778	\$(484,376)	\$—	\$9,402

(1)Included in receivable from brokers, dealers and clearing organizations on the consolidated balance sheet.

				Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Recognized	Gross Amounts	Net Amounts of Liabilities Presented on	Financial Instruments	Cash Collateral Pledged	Net Amount

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	Liabilities	Offset on the Balance Sheet	the Balance Sheet			
Repurchase agreements	\$750,100	\$(62,660)	\$687,440	\$(686,119)	\$—	\$1,321
Securities loaned ⁽²⁾	137,892	—	137,892	(132,258)	—	5,634
Total	\$887,992	\$(62,660)	\$825,332	\$(818,377)	\$—	\$6,955

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

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

Certain of the Company's repurchase agreements and reverse repurchase agreements are carried at fair value as a result of the Company's fair value option election. The Company elected the fair value option for those repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date. The Company has elected the fair value option for these instruments to more accurately reflect market and economic events in its earnings and to mitigate a potential imbalance in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. At December 31, 2015, the fair value of the reverse repurchase agreements and repurchase agreements for which the fair value option was elected were \$206.5 million and \$nil, respectively.

The Company receives collateral in connection with securities borrowed and reverse repurchase agreement transactions and customer margin loans. Under many agreements, the Company is permitted to sell or re-pledge the securities received (e.g., use the securities to enter into securities lending transactions, or deliver to counterparties to cover short positions). At December 31, 2015, the fair value of securities received as collateral under securities borrowed transactions and reverse repurchase agreements was \$217.0 million (\$235.1 million at December 31, 2014) and \$278.8 million (\$314.1 million at December 31, 2014), respectively, of which the Company has sold and re-pledged approximately \$36.0 million (\$4.4 million at December 31, 2014) under securities loaned transactions and \$278.8 million under repurchase agreements (\$312.6 million at December 31, 2014).

The Company pledges certain of its securities owned for securities lending and repurchase agreements and to collateralize bank call loan transactions. The carrying value of pledged securities owned that can be sold or re-pledged by the counterparty was \$546.3 million, as presented on the face of the consolidated balance sheet at December 31, 2015 (\$518.1 million at December 31, 2014). The carrying value of securities owned by the Company that have been loaned or pledged to counterparties where those counterparties do not have the right to sell or re-pledge the collateral was \$142.7 million at December 31, 2015 (\$149.1 million at December 31, 2014).

The Company manages credit exposure arising from repurchase and reverse repurchase agreements by, in appropriate circumstances, entering into master netting agreements and collateral arrangements with counterparties that provide the Company, in the event of a customer default, the right to liquidate and the right to offset a counterparty's rights and obligations. The Company manages market risk of repurchase agreements and securities loaned by monitoring the market value of collateral held and the market value of securities receivable from others. It is the Company's policy to request and obtain additional collateral when exposure to loss exists. In the event the counterparty is unable to meet its contractual obligation to return the securities, the Company may be exposed to off-balance sheet risk of acquiring securities at prevailing market prices.

As of December 31, 2011, the interest in securities formerly held by one of the Company's funds which utilized Lehman Brothers International (Europe) ("LBIE") as a prime broker was transferred to an investment trust. On September 26, 2013, a first interim distribution in the amount of \$9.5 million was received by the trust and distributed to its members. During the first quarter of 2014, a second distribution in the amount of \$600,000 was received by the trust and distributed to its members. During the second quarter of 2015, the trust received and distributed a third distribution in the amount of \$437,000. LBIE expects that the third distribution will represent all the remaining value held in the pool of funds to be allocated to consenting beneficiaries, and so it is expected to be the final common terms distribution.

Credit Concentrations

Credit concentrations may arise from trading, investing, underwriting and financing activities and may be impacted by changes in economic, industry or political factors. In the normal course of business, the Company may be exposed to risk in the event customers, counterparties including other brokers and dealers, issuers, banks, depositories or clearing organizations are unable to fulfill their contractual obligations. The Company seeks to mitigate these risks by actively monitoring exposures and obtaining collateral as deemed appropriate. Included in receivable from brokers, dealers and clearing organizations as of December 31, 2015 are receivables from three major U.S. broker-dealers totaling approximately \$129.9 million.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

Warehouse Facilities

The Company reached an agreement with RBS Citizens, NA ("Citizens") that was announced in July 2012, whereby the Company, through OPY Credit Corp., will introduce lending opportunities to Citizens, which Citizens can elect to accept and in which the Company will participate in the fees earned from any related commitment by Citizens. The Company can also in certain circumstances assume a portion of Citizen's syndication and lending risk under such loans, and if it does so it shall be obligated to secure such obligations via a cash deposit determined through risk-based formulas. Neither the Company nor Citizens is obligated to make any specific loan or to commit any minimum amount of lending capacity to the relationship. The agreement also calls for Citizens and the Company at their option to jointly participate in the arrangement of various loan syndications. At December 31, 2015, there were no loans in place.

The Company is obligated to settle transactions with brokers and other financial institutions even if its clients fail to meet their obligations to the Company. Clients are required to complete their transactions on the settlement date, generally one to three business days after the trade date. If clients do not fulfill their contractual obligations, the Company may incur losses. The Company has clearing/participating arrangements with the National Securities Clearing Corporation ("NSCC"), the Fixed Income Clearing Corporation ("FICC"), R.J. O'Brien & Associates (commodities transactions), Mortgage-Backed Securities and Clearing Corporation and others. With respect to its business in reverse repurchase and repurchase agreements, substantially all open contracts at December 31, 2015 are with the FICC. In addition, the Company began clearing its non-U.S. international equities business carried on by Oppenheimer Europe Ltd. through BNP Paribas Securities Services and Oppenheimer through BNP Securities Corp. The clearing organizations have the right to charge the Company for losses that result from a client's failure to fulfill its contractual obligations. Accordingly, the Company has credit exposures with these clearing brokers. The clearing brokers can re-hypothecate the securities held on behalf of the Company. As the right to charge the Company has no maximum amount and applies to all trades executed through the clearing brokers, the Company believes there is no maximum amount assignable to this right. At December 31, 2015, the Company had recorded no liabilities with regard to this right. The Company's policy is to monitor the credit standing of the clearing brokers and banks with which it conducts business.

OMHMF, which is engaged in commercial mortgage origination and servicing, has obtained an uncommitted warehouse facility line through PNC Bank ("PNC") under which OMHMF pledges FHA-guaranteed mortgages for a period averaging 15 business days and PNC provides a facility that allows OMHMF to fund the loan at the closing table. Warehouse payable represents the warehouse line amount outstanding with PNC and is included in accounts payable and other liabilities on the consolidated balance sheet and cash flows from operating activities on the consolidated statement of cash flows. OMHMF repays PNC upon the securitization of the mortgage by GNMA and the delivery of the security to the counter-party for payment pursuant to a contemporaneous sale on the date the mortgage is securitized. At December 31, 2015, OMHMF had \$54.3 million (\$16.7 million at December 31, 2014) outstanding under the warehouse facility line at a variable interest rate of 1 month LIBOR plus a spread. The Company earns a spread between the interest earned on the loans originated by the Company and the interest incurred on amounts drawn from the warehouse facility. Interest expense for the year ended December 31, 2015 was \$928,500 (\$570,700 in 2014 and \$764,500 in 2013). The Company's ability to originate mortgage loans depends upon our ability to secure and maintain these types of short-term financings on acceptable terms.

As discussed in Note 5, Fair value measurements, the Company enters into TBA sale contracts to offset exposures related to commitments to provide funding for FHA loans at OMHMF. In the normal course of business, the Company may be exposed to the risk that counterparties to these TBA sale contracts are unable to fulfill their contractual obligations.

7. Variable interest entities ("VIEs")

The Company's policy is to consolidate all subsidiaries in which it has a controlling financial interest, as well as any VIEs where the Company is deemed to be the primary beneficiary, when it has the power to make the decisions that most significantly affect the economic performance of the VIE and has the obligation to absorb significant losses or the right to receive benefits that could potentially be significant to the VIE.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

For funds that the Company has concluded are not VIEs, the Company then evaluates whether the fund is a partnership or similar entity. If the fund is a partnership or similar entity, the Company evaluates the fund under the partnership consolidation guidance. Pursuant to that guidance, the Company consolidates funds in which it is the general partner, unless presumption of control by the Company can be overcome. This presumption is overcome only when unrelated investors in the fund have the substantive ability to liquidate the fund or otherwise remove the Company as the general partner without cause, based on a simple majority vote of unaffiliated investors, or have other substantive participating rights. If the presumption of control can be overcome, the Company accounts for its interest in the fund pursuant to the equity method of accounting.

The Company serves as general partner of hedge funds and private equity funds that were established for the purpose of providing investment alternatives to both its institutional and qualified retail clients. The Company holds variable interests in these funds as a result of its right to receive management and incentive fees. The Company's investment in and additional capital commitments to these hedge funds and private equity funds are also considered variable interests. The Company's additional capital commitments are subject to call at a later date and are limited in amount. The Company assesses whether it is the primary beneficiary of the hedge funds and private equity funds in which it holds a variable interest in the form of general and limited partner interests. In each instance, the Company has determined that it is not the primary beneficiary and therefore need not consolidate the hedge funds or private equity funds. The subsidiaries' general and limited partnership interests, additional capital commitments, and management fees receivable represent its maximum exposure to loss. The subsidiaries' general partnership and limited partnership interests and management fees receivable are included in other assets on the consolidated balance sheet.

The following tables set forth the total VIE assets, the carrying value of the subsidiaries' variable interests, and the Company's maximum exposure to loss in Company-sponsored non-consolidated VIEs in which the Company holds variable interests and other non-consolidated VIEs in which the Company holds variable interests at December 31, 2015 and 2014:

(Expressed in thousands)

	At December 31, 2015				Maximum Exposure to Loss in Non-consolidated VIEs
	Total VIE Assets ⁽¹⁾	Carrying Value of the Company's Variable Interest		Capital Commitments	
		Assets ⁽²⁾	Liabilities		
Hedge funds	\$1,775,503	\$1,354	\$—	\$—	\$1,354
Private equity funds	54,800	27	—	2	29
Total	\$1,830,303	\$1,381	\$—	\$2	\$1,383

(1) Represents the total assets of the VIEs and does not represent the Company's interests in the VIEs.

(2) Represents the Company's interests in the VIEs and is included in other assets on the consolidated balance sheet.
(Expressed in thousands)

	At December 31, 2014				Maximum Exposure to Loss in Non-consolidated VIEs
	Total VIE Assets ⁽¹⁾	Carrying Value of the Company's Variable Interest		Capital Commitments	
		Assets ⁽²⁾	Liabilities		
Hedge funds	\$1,955,515	\$1,584	\$—	\$—	\$1,584
Private equity funds	66,400	27	—	2	29

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Total	\$2,021,915	\$ 1,611	\$—	\$ 2	\$ 1,613
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(1) Represents the total assets of the VIEs and does not represent the Company's interests in the VIEs.

(2) Represents the Company's interests in the VIEs and is included in other assets on the consolidated balance sheet.

95

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

8. Commercial mortgage banking

OMHHF is engaged in the business of originating and servicing FHA-insured multifamily and healthcare facility loans and securitizing these loans into GNMA mortgage backed securities. OMHHF also offers mortgage services to developers of commercial properties including apartments, elderly housing and nursing homes that satisfy FHA criteria. OMHHF maintains a mortgage servicing portfolio for which it provides a full array of services, including the collection of mortgage payments from mortgagors which are passed on to the mortgage holders, construction loan management and asset management.

The Company owns an 83.68% controlling interest in OMHHF. The 16.32% noncontrolling interest belongs to one related party who is the President and Chief Executive Officer of OMHHF.

Loan Origination Fees

OMHHF recognizes origination fees and other direct origination costs when it enters into a rate lock commitment with the borrower. The origination fees and other direct origination costs are recognized when OMHHF enters into a commitment to sell loans to third parties. In accordance with Housing and Urban Development ("HUD") guidelines, OMHHF will, with HUD's approval and for certain loan programs, apply the premium income towards the payment of prepayment costs that customers will incur on their prior mortgage. These costs are netted with revenues from premium income that are otherwise earned from these loan refinancings or modifications. Prepayment costs recorded as contra-revenue against premium income were \$25.7 million for the year ended December 31, 2015 (\$9.8 million in 2014 and \$14.5 million in 2013).

Funding Commitments

OMHHF provides its clients with commitments to fund FHA-insured permanent or constructions loans. Upon providing these commitments to fund, OMHHF enters into TBA sale contracts directly or indirectly with counterparties to offset its exposures related to these funding commitments. See Note 5, Fair value measurements, for more information.

Loans Held For Sale

OMHHF advances funds from its own cash reserves in addition to obtaining financing through warehouse facilities in order to fund initial loan closing and subsequent construction loan draws. Prior to the GNMA securitization of a loan, a loan held for sale is recorded on the consolidated balance sheet. Loans held for sale are recorded at fair value through earnings.

Escrows Held in Trust

Custodial escrow accounts relating to loans serviced by OMHHF totaled \$421.5 million at December 31, 2015 (\$285.5 million at December 31, 2014). These amounts are not included on the consolidated balance sheet as such amounts are not OMHHF's assets. Certain cash deposits at financial institutions exceeded the FDIC-insured limits or other institutionally provided insurance. The combined uninsured balance with relation to escrow accounts at December 31, 2015 was approximately \$301.3 million. OMHHF places these deposits with major financial institutions where it believes the risk is minimal and that meet or exceed GNMA required credit ratings.

The total unpaid principal balance of loans the Company was servicing for various institutional investors as of December 31, 2015 and 2014 was as follows:

(Expressed in thousands)

	2015	2014
Unpaid principal balance of loans	\$3,974,292	\$4,134,894
Mortgage Servicing Rights ("MSRs")		

OMHHF purchases commitments or originates mortgage loans that are sold and securitized into GNMA mortgage backed securities. OMHHF retains the servicing responsibilities for the loans securitized and recognizes either a MSR asset or a MSR liability for that servicing contract. OMHHF receives monthly servicing fees equal to a percentage of the outstanding principal balance of the loans being serviced.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

OMHHF estimates the initial fair value of the servicing rights based on the present value of future net servicing income, adjusted for factors such as discount rate and prepayment. OMHHF uses the amortization method for subsequent measurement, subject to annual impairment. See Note 5, Fair value measurements, for more information. The fair value of the servicing rights on the loan portfolio was \$41.8 million and \$42.3 million at December 31, 2015 and 2014, respectively (carrying value of \$28.2 million and \$30.1 million at December 31, 2015 and 2014, respectively). The following tables summarize the changes in carrying value of MSR for the years ended December 31, 2015 and 2014:

(Expressed in thousands)

	Year Ended December 31,	
	2015	2014
Balance at beginning of year	\$30,140	\$28,879
Originations ⁽¹⁾	6,569	5,956
Purchases	799	345
Disposals ⁽¹⁾	(8,613	) (2,221
Amortization expense	(727	) (2,819
Balance at end of year	\$28,168	\$30,140

(1) Includes refinancings.

Servicing rights are amortized using the straight-line method over 10 years. Estimated amortization expense for the next five years and thereafter is as follows:

(Expressed in thousands)

	Originated MSRs	Purchased MSRs	Total MSRs
2016	\$ 3,039	\$ 1,084	\$4,123
2017	3,036	1,082	4,118
2018	3,008	1,075	4,083
2019	2,913	1,014	3,927
2020	2,758	912	3,670
Thereafter	6,962	1,285	8,247
	\$ 21,716	\$ 6,452	\$28,168

The Company receives fees during the course of servicing the mortgage loans. The fees for the years ended December 31, 2015, 2014 and 2013 were as follows:

(Expressed in thousands)

	For the Year Ended December 31,		
	2015	2014	2013
Servicing fees	\$5,848	\$5,552	\$5,049
Ancillary fees	310	328	528
Total MSR fees	\$6,158	\$5,880	\$5,577

Table of Contents

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

9. Office facilities
(Expressed in thousands)

	Year Ended December 31,	
	2015	2014
Furniture, fixtures and equipment	\$75,858	\$78,940
Leasehold improvements	57,393	54,196
Total	133,251	133,136
Less accumulated depreciation	(104,961	) (103,547
Total	\$28,290	\$29,589

Depreciation and amortization expense, included in occupancy and equipment costs on the consolidated statement of income, was \$7.2 million, \$7.7 million and \$9.4 million in the years ended December 31, 2015, 2014 and 2013, respectively.

10. Bank call loans

Bank call loans, primarily payable on demand, bear interest at various rates but not exceeding the broker call rate, which was 2.25% at December 31, 2015 (2.0% at December 31, 2014). Details of the bank call loans are as follows:
(Expressed in thousands, except percentages)

	2015	2014		
Year-end balance	\$100,200	\$59,400		
Weighted interest rate (at end of year)	1.56	% 1.22	%	
Maximum balance (at any month-end)	189,000	197,000		
Average amount outstanding (during the year)	116,267	108,235		
Average interest rate (during the year)	1.28	% 1.26	%	

Interest expense for the year ended December 31, 2015 on bank call loans was \$1.5 million (\$1.4 million in 2014 and \$2.2 million in 2013).

11. Long-term debt

(Expressed in thousands)

Issued	Maturity Date	December 31, 2015	December 31, 2014
Senior Secured Notes	4/15/2018	\$150,000	\$150,000

On April 12, 2011, the Company completed the private placement of \$200.0 million in aggregate principal amount of 8.75% Senior Secured Notes due April 15, 2018 (the "Notes") at par. The interest on the Notes is payable semi-annually on April 15th and October 15th.

The indenture for the Notes contains covenants which place restrictions on the incurrence of indebtedness, the payment of dividends, sale of assets, mergers and acquisitions and the granting of liens. The Notes provide for events of default including nonpayment, misrepresentation, breach of covenants and bankruptcy. The Company's obligations under the Notes are guaranteed, subject to certain limitations. These guarantees may be shared, on a senior basis, under certain circumstances, with newly incurred debt outstanding in the future. At December 31, 2015, the Company was in compliance with all of its covenants.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

On April 15, 2014, the Company retired early a total of \$50.0 million (25%) of the Notes. The Company redeemed \$45.0 million aggregate principal amount of the outstanding Notes at a redemption price equal to 106.563% of the principal amount of the Notes, plus accrued and unpaid interest. In addition, the Company retired the \$5.0 million aggregate principal amount of the Notes that it held. Upon completion of the redemption and retirement on April 15, 2014, \$150.0 million aggregate principal amount of the Notes remained outstanding. The retirement of the Notes reduced the Company's interest costs by \$3.9 million annually beginning in the second quarter of 2014.

Interest expense for the year ended December 31, 2015 on the Notes was \$13.1 million (\$14.3 million in 2014 and \$17.1 million in 2013). Interest paid on the Notes for the year ended December 31, 2015 was \$13.1 million (\$15.1 million in 2014).

12. Share capital

The Company's authorized share capital consists of (a) 50,000,000 shares of Preferred Stock, par value \$0.001 per share; (b) 50,000,000 shares of Class A non-voting common stock ("Class A Stock"), par value \$0.001 per share; and (c) 99,680 shares of Class B voting common stock ("Class B Stock"), par value \$0.001 per share. No Preferred Stock has been issued. 99,680 shares of Class B Stock have been issued and are outstanding.

The Class A Stock and the Class B Stock are equal in all respects except that the Class A Stock is non-voting.

The following table reflects changes in the number of shares of Class A Stock outstanding for the periods indicated:

	2015	2014
Class A Stock outstanding, beginning of year	13,530,688	13,377,967
Issued pursuant to shared-based compensation plans (Note 15)	131,524	152,721
Repurchased and canceled pursuant to the stock buy-back	(423,726)	—
Class A Stock outstanding, end of year	13,238,486	13,530,688
Stock buy-back		

On September 15, 2015, the Company announced that its board of directors approved a share repurchase program that authorizes the Company to purchase up to 665,000 shares of the Company's Class A Stock, representing approximately 5% of its 13,348,369 then issued and outstanding shares of Class A Stock ("New Program"). This authorization replaces the share repurchase program covering up to 675,000 shares of the Company's Class A Stock, which was announced on October 7, 2011 ("Previous Program"), pursuant to which 322,177 shares of the Company's Class A Stock were repurchased and canceled prior to December 31, 2014. During the nine months ended September 30, 2015, the Company purchased and canceled an additional 328,844 shares of Class A Stock for a total consideration of \$6.6 million (\$20.12 per share) under the Previous Program. The 23,979 remaining shares available under the Previous Program have been replaced by the shares available under the New Program.

During the three months ended December 31, 2015, the Company purchased and canceled an aggregate of 94,882 shares of Class A Stock for a total consideration of \$1.6 million (\$17.20 per share) under the New Program. As of December 31, 2015, 570,118 shares were available to be purchased under the New Program.

Any such share purchases will be made by the Company from time to time in the open market at the prevailing open market price using cash on hand, in compliance with the applicable rules and regulations of the New York Stock Exchange and federal and state securities laws and the terms of the Company's senior secured debt. All shares purchased will be canceled. The share repurchase program is expected to continue indefinitely. The timing and amounts of any purchases will be based on market conditions and other factors including price, regulatory requirements and capital availability. The share repurchase program does not obligate the Company to repurchase any dollar amount or number of Class A non-voting common shares. Depending on market conditions and other factors, these repurchases may be commenced or suspended from time to time without prior notice.

Dividends

The Company paid cash dividends of \$0.44 per share to holders of Class A and Class B Stock in 2015, 2014 and 2013.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

13. Earnings per share

Basic earnings per share is computed by dividing net income attributable to Oppenheimer Holdings Inc. by the weighted average number of shares of Class A Stock and Class B Stock outstanding. Diluted earnings per share includes the weighted average number of shares of Class A Stock and Class B Stock outstanding and options to purchase the Class A Stock and unvested restricted stock awards of Class A Stock using the treasury stock method. Earnings per share has been calculated as follows:

(Expressed in thousands, except number of shares and per share amounts)

	For the Year Ended December 31,		
	2015	2014	2013
Basic weighted average number of shares outstanding	13,640,610	13,604,258	13,577,725
Net dilutive effect of share-based awards, treasury method ⁽¹⁾	650,924	646,405	546,335
Diluted weighted average number of shares outstanding	14,291,534	14,250,663	14,124,060
Net income for the year	\$2,898	\$9,561	\$26,153
Net income attributable to noncontrolling interest, net of tax	936	735	1,092
Net income attributable to Oppenheimer Holdings Inc.	\$1,962	\$8,826	\$25,061
Basic earnings per share	\$0.14	\$0.65	\$1.85
Diluted earnings per share	\$0.14	\$0.62	\$1.77

For the year ended December 31, 2015, the diluted earnings per share computation does not include the (1) anti-dilutive effect of 5,309 shares of Class A Stock granted under share-based compensation arrangements (43,008 and 57,573 shares for the years ended December 31, 2014 and 2013, respectively).

14. Income taxes

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

(Expressed in thousands)

	For the Year Ended December 31,					
	2015		2014		2013	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
U.S. federal statutory income tax rate	\$2,348	35.0 %	\$9,008	35.0 %	\$15,368	35.0 %
U.S. state and local income taxes, net of U.S. federal income tax benefits	373	5.5 %	2,033	7.9 %	2,131	4.9 %
Unrecognized tax benefit	589	8.8 %	6	—	1,244	2.8 %
Tax exempt income, net of interest expense	(696)	-10.4 %	(528)	-2.0 %	(715)	-1.6 %
Non-deductible regulatory settlements	—	—	5,298	20.6 %	—	—
Business promotion and other non-deductible expenses	577	8.6 %	655	2.5 %	660	1.5 %
Insurance proceeds, non-taxable	—	—	(65)	-0.3 %	(597)	-1.4 %
Adjustment to reflect prior year tax return filings	397	5.9 %	256	1.0 %	(251)	-0.6 %
Tax rate change on deferred income taxes	116	1.7 %	241	0.9 %	208	0.5 %
Tax rate differential on foreign operations	145	2.2 %	(447)	-1.7 %	185	0.4 %
Other	(36)	-0.5 %	(282)	-1.1 %	(477)	-1.1 %
Total income tax provision	\$3,813	56.8 %	\$16,175	62.8 %	\$17,756	40.4 %

Table of Contents

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

Income taxes included in the consolidated statements of income represent the following:
(Expressed in thousands)

	For the Year Ended December 31,		
	2015	2014	2013
Current:			
U.S. federal tax (benefit)	\$(1,738	) \$10,302	\$(2,984
State and local tax	832	1,520	1,885
Non-U.S. operations	181	(264	) 116
Total Current	(725	) 11,558	(983
Deferred:			
U.S. federal tax	3,173	1,273	16,658
State and local tax	1,145	2,057	2,482
Non-U.S. operations	220	1,287	(401
Total Deferred	4,538	4,617	18,739
Total	\$3,813	\$16,175	\$17,756

Profit (loss) before income tax provision (benefit) with respect to foreign operations was \$732,000, \$4.3 million and \$(1.3) million for the years ended December 31, 2015, 2014 and 2013, respectively.

Tax expense for 2015 was lower than in 2014 primarily because the Company earned less pretax income in 2015 than in 2014. The effective tax rate for 2015 was lower than the effective tax rate in 2014 mainly due to nondeductible penalties incurred in 2014 pursuant to regulatory settlements.

U.S. income and foreign withholding taxes have not been recognized on the excess of the amount for financial reporting over the tax basis of investments in foreign subsidiaries that is indefinitely reinvested outside the United States. This amount becomes taxable upon a repatriation of assets from the subsidiary or a sale or liquidation of the subsidiary. The amount of such taxable temporary differences totaled \$20.5 million as of December 31, 2015. The unrecognized deferred tax liability associated with earnings of foreign subsidiaries, net of associated U.S. foreign tax credits, is \$2.5 million for those subsidiaries with respect to which the Company would be subject to residual U.S. tax on cumulative earnings through 2015 were those earnings to be repatriated.

Table of Contents

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

Deferred income taxes reflect the net tax effects of temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates and laws that will be in effect when such differences are expected to reverse. Significant components of the Company's deferred tax assets and liabilities at December 31, 2015 and 2014 were as follows:

(Expressed in thousands)

	For the Year Ended December 31,	
	2015	2014
Deferred tax assets:		
Employee deferred compensation plans	\$27,423	\$30,969
Deferred rent	10,582	10,024
Lease incentive	5,855	6,212
Broker notes	3,441	3,460
Auction rate securities reserve	2,666	3,229
Net operating loss	2,834	2,896
Involuntary conversion	2,245	2,033
Reserve for litigation and legal fees	3,350	5,808
Allowance for doubtful accounts	1,037	984
State and local net operating loss/credit carryforward	1,330	357
Other	2,718	2,650
Total deferred tax assets	63,481	68,622
Valuation allowance	126	113
Deferred tax assets after valuation allowance	63,355	68,509
Deferred tax liabilities:		
Goodwill amortization (Section 197)	53,364	48,025
Partnership investments	7,444	10,865
Mortgage servicing rights	10,571	12,173
Company owned life insurance	6,431	6,501
Change in accounting method	1,313	2,591
Book versus tax depreciation differences	657	982
Other	248	469
Total deferred tax liabilities	80,028	81,606
Deferred tax liabilities, net	\$(16,673)	\$(13,097)

The Company has deferred tax assets at December 31, 2015 of \$1.3 million, \$1.0 million and \$397,000 arising from net operating losses incurred by Oppenheimer Israel (OPCO) Ltd., Oppenheimer Investments Asia Limited, and Oppenheimer Europe Ltd., respectively. The Company believes that realization of the deferred tax assets is more likely than not based on expectations of future taxable income in Israel, Asia and Europe. These net operating losses carry forward indefinitely and are not subject to expiration, provided that these subsidiaries and their underlying businesses continue operating normally (as is anticipated).

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

The Company or one or more of its subsidiaries file income tax returns in the U.S. federal jurisdiction and in various states and foreign jurisdictions. The Company has closed tax years through 2010 in the U.S. federal jurisdiction.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

The Company is under examination in various states and overseas jurisdictions in which the Company has significant business operations. The Company has closed tax years through 2007 for New York State and is currently under exam for the period 2008 to 2011. The Company also has closed tax years through 2008 with New York City and is currently under exam for the 2009 to 2012 tax years. With few exceptions, the Company is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2010. The Company is currently under examination for the 2013 federal tax return.

The Company has unrecognized tax benefits of \$2.5 million, \$1.6 million and \$1.6 million as of December 31, 2015, 2014 and 2013, respectively (as shown on the table below). Included in the balance of unrecognized tax benefits as of December 31, 2015 and 2014 are \$1.8 million and \$1.3 million of tax benefits for either year that, if recognized, would affect the effective tax rate.

During the year ended December 31, 2013, the Company reclassified \$4.9 million of unrecognized tax benefit to other tax accounts when the Internal Revenue Service approved the Company's application for a tax accounting method change. A reconciliation of the beginning and ending amount of unrecognized tax benefit follows:

(Expressed in thousands)

	2015	2014	2013
Balance at January 1,	\$1,583	\$1,574	\$5,236
Additions for tax positions of prior years	907	—	1,168
Additions for tax positions of current year	—	9	77
Reclass to other tax accounts	—	—	(4,907)
Balance at December 31,	\$2,490	\$1,583	\$1,574

On its consolidated statements of income, the Company records interest and penalties accruing on unrecognized tax benefits in income before tax provision as interest expense and other expense, respectively. For the years ended December 31, 2015 and 2014, the Company recorded tax-related interest expense of \$23,000 and \$22,000, respectively, in its consolidated statement of income. At December 31, 2015 and 2014, the Company had an income tax-related interest payable of \$106,000 and \$83,000, respectively, on its consolidated balance sheet.

15. Employee compensation plans

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

Share-based Compensation

Equity Incentive Plan

Under the Company's 2006 Equity Incentive Plan, adopted December 11, 2006 and amended December 2011, and its 1996 Equity Incentive Plan, as amended March 10, 2005 (together "EIP"), the Compensation Committee of the Board of Directors of the Company could grant options to purchase Class A Stock, Class A Stock awards and restricted Class A Stock awards to officers and key employees of the Company and its subsidiaries. Options were generally granted for a five-year term and generally vest at the rate of 25% of the amount granted on the second anniversary of the grant, 25% on the third anniversary of the grant, 25% on the fourth anniversary of the grant and 25% 6 months before expiration. The EIP has been amended, restated and replaced by the OIP, discussed below.

Employee Share Plan

On March 10, 2005, the Company approved the Oppenheimer & Co. Inc. Employee Share Plan ("ESP") for employees of the Company and its subsidiaries to attract, retain and provide incentives to key management employees. The Compensation Committee of the Board of Directors of the Company could grant Class A Stock awards and restricted Class A Stock awards pursuant to the ESP. ESP awards were generally awarded for a three or five year term which fully vest at the end of the term. The ESP has been amended, restated and replaced by the OIP, discussed below.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

Oppenheimer Holdings Inc. 2014 Incentive Plan

On February 26, 2014, the Company adopted the Oppenheimer Holdings Inc. 2014 Incentive Plan (the "OIP"). The OIP amends, restates and replaces two separate plans previously in place, the EIP and ESP (the "Prior Plans"), as described above.

The OIP permits the Company to grant options to purchase Class A Stock, Class A Stock awards and restricted Class A Stock to or for the benefit of employees and non-employee directors of the Company and its affiliates as part of their compensation. After February 26, 2014, no additional awards shall be made under the Prior Plans, although outstanding awards previously made under the Prior Plans shall continue to be governed by the terms of the applicable Prior Plan.

Oppenheimer Holdings Inc. Stock Appreciation Right Plan

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

The OARs vest five years from grant date and settle in cash at vesting.

Restricted stock - The Company has granted restricted stock awards pursuant to the EIP, ESP and OIP. The following table summarizes the status of the Company's non-vested restricted Class A Stock awards under the EIP, ESP and OIP for the year ended December 31, 2015:

	Number of Class A Shares Subject to Restricted Stock Awards	Weighted Average Fair Value	Remaining Contractual Life
Nonvested at beginning of year	1,239,346	\$20.12	1.7 Years
Granted	399,566	19.05	3.4 Years
Vested	(210,516)	24.59	—
Forfeited	(170,838)	18.27	—
Nonvested at end of year	1,257,558	\$19.29	1.7 Years

At December 31, 2015, all outstanding restricted Class A Stock awards were non-vested. The aggregate intrinsic value of restricted Class A Stock awards outstanding as of December 31, 2015 was approximately \$21.9 million. The aggregate intrinsic value of restricted Class A Stock awards that are expected to vest is \$21.1 million as of December 31, 2015. During the year ended December 31, 2015, the Company included approximately \$4.6 million (\$5.6 million in 2014 and \$5.0 million in 2013) of compensation expense in its consolidated statements of income relating to restricted Class A Stock awards.

As of December 31, 2015, there was approximately \$9.5 million of total unrecognized compensation cost related to unvested restricted Class A Stock awards. The cost is expected to be recognized over a weighted average period of 1.7 years.

At December 31, 2015, the number of shares of Class A Stock available under the share-based compensation plans, but not yet awarded, was 882,401.

On January 28, 2016, the Company awarded 28,000 restricted shares of Class A Stock to its non-employee directors under the OIP. These shares of Class A Stock will vest as follows: 25% on July 27, 2016, July 27, 2017, July 27, 2018 and July 27, 2019.

On February 24, 2016, the Company awarded a total of 355,833 restricted shares of Class A Stock to current employees pursuant to the OIP. Of these restricted shares, 98,333 shares will cliff vest in three years and 257,500 shares will cliff vest in five years. These awards will be expensed over the applicable three or five year vesting period.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

Stock options - The Company has granted stock options pursuant to the EIP and OIP. The fair value of each award of stock options was estimated on the grant date using the Black-Scholes model with the following assumptions:

	Grant Date Assumptions				
	2015	2014	2013	2012	2011
Expected term ⁽¹⁾	5 years	5 years	5 years	5 years	5 years
Expected volatility factor ⁽²⁾	55.43 %	56.31 %	53.82 %	54.95 %	52.52 %
Risk-free interest rate ⁽³⁾	1.27 %	1.49 %	0.84 %	0.70 %	2.00 %
Actual dividends ⁽⁴⁾	\$0.44	\$0.44	\$0.44	\$0.44	\$0.44

(1) The expected term was determined based on actual awards.

(2) The volatility factor was measured using the weighted average of historical daily price changes of the Company's Class A Stock over a historical period commensurate to the expected term of the awards.

(3) The risk-free interest rate was based on periods equal to the expected term of the awards based on the U.S.

(3) Treasury yield curve in effect at the time of grant.

(4) Actual dividends were used to compute the expected annual dividend yield.

Stock option activity under the OIP and EIP since January 1, 2014 is summarized as follows:

	Year Ended December 31,		Year Ended December 31,	
	2015	2014	2014	2013
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding at beginning of year	45,549	\$ 25.50	72,573	\$ 24.46
Options granted	4,177	19.76	2,976	23.49
Options exercised	—	—	(15,000)	12.33
Options forfeited or expired	(37,699)	26.12	(15,000)	33.22
Options outstanding at end of year	12,027	\$ 21.57	45,549	\$ 25.50
Options vested at end of year	3,366	\$ 23.56	30,513	\$ 25.99
Weighted average fair value of options granted during the year	\$ 7.87		\$ 9.94	

The aggregate intrinsic value of options outstanding as of December 31, 2015 was \$171. The aggregate intrinsic value of vested options as of December 31, 2015 was \$43. The aggregate intrinsic value of options that are expected to vest is \$163 as of December 31, 2015.

The following table summarizes stock options outstanding and exercisable as of December 31, 2015:

Range of Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price of Outstanding Options	Number of Options Exercisable (Vested)	Weighted Average Exercise Price of Vested Options
\$17.20 - \$20.00	6,718	3.08 Years	\$ 19.29	1,033	\$ 18.82
\$20.01 - \$25.66	5,309	1.76 Years	24.44	2,333	25.66
\$17.20 - \$25.66	12,027	2.50 Years	\$ 21.57	3,366	\$ 23.56

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

The following table summarizes the status of the Company's non-vested options for the year ended December 31, 2015:

	Number of Options	Weighted Average Fair Value
Nonvested at beginning of year	15,036	\$10.17
Granted	4,177	7.87
Vested	(10,552	) 10.66
Nonvested at end of year	8,661	\$8.46

In the year ended December 31, 2015, the Company has included approximately \$69,900 (\$133,600 in 2014 and \$158,200 in 2013) of compensation expense in its consolidated statement of income relating to the expensing of stock options.

As of December 31, 2015, there was approximately \$44,500 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the EIP. The cost is expected to be recognized over a weighted average period of 2.50 years.

On February 24, 2016, the Company awarded a total of 3,907 options to purchase Class A Stock to current employees pursuant to the OIP. These options will be expensed over 4.5 years (the vesting period).

OARs - The Company has awarded OARs pursuant to the Oppenheimer Holdings Inc. Stock Appreciation Right Plan. The following table summarized the status of the Company's outstanding OARs awards as of December 31, 2015:

Grant Date	Number of OARs Outstanding	Strike Price	Remaining Contractual Life	Fair Value at December 31, 2015
January 13, 2011	289,320	\$26.35	12 Days	\$—
January 19, 2012	324,710	18.94	1 Year	1.52
January 14, 2013	347,130	15.94	2 Years	3.45
January 14, 2014	442,790	23.48	3 Years	1.78
January 9, 2015	503,080	21.94	4 Years	2.74
	1,907,030			
Total weighted average values		\$21.36	2.3 Years	\$2.02

At December 31, 2015, all outstanding OARs were unvested. At December 31, 2015, the aggregate intrinsic value of OARs outstanding and expected to vest was \$499,900. In the year ended December 31, 2015, the Company included approximately a net credit of \$1.8 million (\$380,100 of expense in 2014 and \$4.1 million of expense in 2013) in compensation expense in its consolidated statement of income relating to OARs awards. The liability related to the OARs was approximately \$1.6 million as of December 31, 2015.

As of December 31, 2015, there was approximately \$2.1 million of total unrecognized compensation cost related to unvested OARs. The cost is expected to be recognized over a weighted average period of 2.3 years.

On January 6, 2016, 491,160 OARs were awarded to Oppenheimer employees related to fiscal 2015 performance. These OARs will be expensed over 5 years (the vesting period).

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

Cash-based Compensation Plan

Defined Contribution Plan

The Company, through its subsidiaries, maintains a defined contribution plan covering substantially all full-time U.S. employees. The Oppenheimer & Co. Inc. 401(k) Plan provides that Oppenheimer may make discretionary contributions. Eligible Oppenheimer employees could make voluntary contributions which could not exceed \$18,000, \$17,500 and \$17,500 per annum in 2015, 2014 and 2013, respectively. The Company made contributions to the 401(k) Plan of \$1.6 million, \$1.2 million and \$1.3 million in 2015, 2014 and 2013, respectively.

Deferred Compensation Plans

The Company maintains an Executive Deferred Compensation Plan ("EDCP") and a Deferred Incentive Plan ("DIP") in order to offer certain qualified high-performing financial advisers a bonus based upon a formula reflecting years of service, production, net commissions and a valuation of their clients' assets. The bonus amounts resulted in deferrals in fiscal 2015 of approximately \$8.3 million (\$8.6 million in 2014 and \$8.5 million in 2013). These deferrals normally vest after five years. The liability is being recognized on a straight-line basis over the vesting period. The EDCP also includes voluntary deferrals by senior executives that are not subject to vesting. The Company maintains a Company-owned life insurance policy, which is designed to offset approximately 60% of the EDCP liability. The EDCP liability is being tracked against the value of a benchmark investment portfolio held for this purpose. At December 31, 2015, the Company's liability with respect to the EDCP and DIP totaled \$49.0 million and is included in accrued compensation on the consolidated balance sheet at December 31, 2015.

In addition, the Company is maintaining a deferred compensation plan on behalf of certain employees who were formerly employed by CIBC World Markets. The liability is being tracked against the value of an investment portfolio held by the Company for this purpose and, therefore, the liability fluctuates with the fair value of the underlying portfolio. At December 31, 2015, the Company's liability with respect to this plan totaled \$14.3 million. The total amount expensed in 2015 for the Company's deferred compensation plans was \$8.6 million (\$11.4 million in 2014 and \$17.8 million in 2013).

16. Commitments and contingencies

Commitments

The Company and its subsidiaries have operating leases for office space, equipment and furniture and fixtures expiring at various dates through 2028. Future minimum rental commitments under such office and equipment leases as at December 31, 2015 are as follows:

(Expressed in thousands)

2016	\$40,577
2017	36,989
2018	34,749
2019	29,105
2020	21,549
2021 and thereafter	113,982
	\$276,951

The above table includes operating leases which have been signed by the Company's subsidiary, Viner Finance Inc., in which the Company is responsible for rent charges associated with its occupancy.

Certain of the leases contain provisions for rent increases based on changes in costs incurred by the lessor.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

The Company's rent expense for the year ended December 31, 2015 was \$45.9 million (\$45.6 million in 2014 and \$46.4 million in 2013).

At December 31, 2015, the Company had capital commitments of approximately \$5.1 million with respect to its obligations in its role as sponsor for certain private equity funds.

At December 31, 2015, the Company had no collateralized or uncollateralized letters of credit outstanding.

Contingencies

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

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

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

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

For legal and regulatory proceedings where there is at least a reasonable possibility that a loss or an additional loss may be incurred, the Company estimates a range of aggregate loss in excess of amounts accrued of \$0 to \$51.0 million. This estimated aggregate range is based upon currently available information for those legal proceedings in which the Company is involved, where an estimate for such losses can be made. For certain cases, the Company does not believe that an estimate can currently be made. The foregoing estimate is based on various factors, including the varying stages of the proceedings (including the fact that many are currently in preliminary stages), the numerous yet-unresolved issues in many of the proceedings and the attendant uncertainty of the various potential outcomes of such proceedings. Accordingly, the Company's estimate will change from time to time, and actual losses may be more than the current estimate.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

In February 2010, Oppenheimer finalized settlements with the Regulators concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. As of December 31, 2015, the Company had \$5.0 million of outstanding ARS purchase commitments related to the settlements with the Regulators. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client related legal settlements and awards to purchase ARS, as of December 31, 2015, the Company purchased and holds (net of redemptions) approximately \$92.0 million in ARS from its clients. In addition, the Company is committed to purchase another \$22.8 million in ARS from clients through 2020 under legal settlements and awards.

The Company's purchases of ARS from its clients holding ARS eligible for repurchase will, subject to the terms and conditions of the settlements with the Regulators, continue on a periodic basis. Pursuant to these terms and conditions, the Company is required to conduct a financial review every six months, until the Company has extended Purchase Offers to all Eligible Investors (as defined), to determine whether it has funds available, after giving effect to the financial and regulatory capital constraints applicable to the Company, to extend additional Purchase Offers. The financial review is based on the Company's operating results, regulatory net capital, liquidity, and other ARS purchase commitments outstanding under legal settlements and awards (described below). There are no predetermined quantitative thresholds or formulas used for determining the final agreed upon amount for the Purchase Offers. Upon completion of the financial review, the Company first meets with its primary regulator, FINRA, and then with representatives of the NYAG and other regulators to present the results of the review and to finalize the amount of the next Purchase Offer. Various offer scenarios are discussed in terms of which Eligible Investors should receive a Purchase Offer. The primary criteria to date in terms of determining which Eligible Investors should receive a Purchase Offer has been the amount of household account equity each Eligible Investor had with the Company in February 2008. Once various Purchase Offer scenarios have been discussed, the regulators, not the Company, make the final determination of which Purchase Offer scenario to implement. The terms of settlements provide that the amount of ARS to be purchased during any period shall not risk placing the Company in violation of regulatory requirements.

Eligible Investors for future buybacks continued to hold approximately \$57.0 million of ARS principal value as of December 31, 2015. It is reasonably possible that some ARS Purchase Offers will need to be extended to Eligible Investors holding ARS prior to redemptions (or tender offers) by issuers of the full amount that remains outstanding. The potential additional losses that may result from entering into ARS purchase commitments to Eligible Investors for future buybacks represents the estimated difference between the principal value and the fair value. It is possible that the Company could sustain a loss of all or substantially all of the principal value of ARS still held by Eligible Investors but such an outcome is highly unlikely. The amount of potential additional losses resulting from entering into these commitments cannot be reasonably estimated due to the uncertainties surrounding the amounts and timing of future buybacks that result from the six-month financial review and the amounts, scope, and timing of future issuer redemptions and tender offers of ARS held by Eligible Investors. The range of potential additional losses related to valuation adjustments is between \$0 and the amount of the estimated differential between the principal value and the fair value of ARS held by Eligible Investors for future buybacks that were not yet purchased or committed to be purchased by the Company at any point in time. The range of potential additional losses described here is not included in the estimated range of aggregate loss in excess of amounts accrued for legal and regulatory proceedings described above.

Outside of the settlements with the Regulators, the Company has also reached various legal settlements with clients and received unfavorable legal awards requiring it to purchase ARS. The terms and conditions including the ARS amounts committed to be purchased under legal settlements and awards are based on the specific facts and

circumstances of each legal proceeding. In most instances, the purchase commitments are in increments and extend over a period of time. At December 31, 2015, no ARS purchase commitments related to legal settlements extended past 2020.

The Company has sought, with limited success, financing from a number of sources to try to find a means for all its clients to find liquidity from their ARS holdings and will continue to do so. There can be no assurance that the Company will be successful in finding a liquidity solution for all its clients' ARS.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

On January 27, 2015, the SEC approved an Offer of Settlement from Oppenheimer and issued an Order Instituting Administrative and Cease and Desist Proceedings (the "Order"). Pursuant to the Order, Oppenheimer was ordered to (i) cease and desist from committing or causing any violations of the relevant provisions of the federal securities laws; (ii) be censured; (iii) pay to the SEC \$10.0 million comprised of \$4.2 million in disgorgement, \$753,500 in prejudgment interest and \$5.1 million in civil penalties; and (iv) retain an independent consultant to review Oppenheimer's policies and procedures relating to anti-money laundering and Section 5 of the Securities Act.

Oppenheimer made a payment of \$5.0 million to the SEC on February 17, 2015 and agreed to make a second payment of \$5.0 million to the SEC before January 27, 2017. On the same date the Order was issued, a division of the United States Department of the Treasury ("FinCEN") issued a Civil Monetary Assessment (the "Assessment") against Oppenheimer relating to potential violations of the Bank Secrecy Act and the regulations promulgated thereunder related primarily to, in the Company's view, the SEC matter discussed immediately above. Pursuant to the terms of the Assessment, Oppenheimer admitted that it violated the Bank Secrecy Act and consented to the payment of a civil money penalty, which, as a result of the payments to the SEC described above, obligates Oppenheimer to make an aggregate payment of \$10.0 million to FinCEN. On February 9, 2015, Oppenheimer made a payment of \$5.0 million to FinCEN and has agreed to make a second payment of \$5.0 million before January 27, 2017. As of December 31, 2015, the Company was fully reserved for the remaining \$10 million related to the aforementioned matters.

As a result of the resolution of the SEC action, Oppenheimer consented to be enjoined, in order to avoid a disqualification that would have negatively impacted the Company's business and its results of operations. The Company sought and on January 27, 2015, received a waiver from the disqualification that would have prohibited the sale of certain privately-placed securities, including third party alternative investments. Oppenheimer believes that any disqualification resulting from the issuance of the Order for which Oppenheimer has not received a waiver or similar relief is not material to the business of Oppenheimer or its affiliates.

Since early 2014, Oppenheimer has been responding to information requests from FINRA regarding the supervision of one of its former financial advisers who was indicted by the United States Attorney's Office for the District of New Jersey in March 2014 on allegations of insider trading. In August 2014, Oppenheimer received information requests from the SEC regarding supervision of the same financial adviser. A number of Oppenheimer employees have provided on-the-record testimony in connection with the SEC inquiry. Oppenheimer is continuing to cooperate with both the FINRA and SEC inquiries.

17. Regulatory requirements

The Company's U.S. broker dealer subsidiaries, Oppenheimer and Freedom, are subject to the uniform net capital requirements of the SEC under Rule 15c3-1 (the "Rule") promulgated under Securities Exchange Act. Oppenheimer computes its net capital requirements under the alternative method provided for in the Rule which requires that Oppenheimer maintain net capital equal to two percent of aggregate customer-related debit items, as defined in SEC Rule 15c3-3. At December 31, 2015, the net capital of Oppenheimer as calculated under the Rule was \$144.8 million or 12.34% of Oppenheimer's aggregate debit items. This was \$121.4 million in excess of the minimum required net capital at that date. Freedom computes its net capital requirement under the basic method provided for in the Rule, which requires that Freedom maintain net capital equal to the greater of \$100,000 or 6-2/3% of aggregate indebtedness, as defined. At December 31, 2015, Freedom had net capital of \$5.8 million, which was \$5.7 million in

excess of the \$100,000 required to be maintained at that date.

New Basel III requirements being implemented in the European Union have changed how capital adequacy is reported under the Capital Requirements Directive (CRD IV), effective January 1, 2014, for Oppenheimer Europe Ltd. At December 31, 2015, the capital required and held under CRD IV was as follows:

• Common Equity Tier 1 ratio 12.32% (required 4.5%);

• Tier 1 Capital ratio 12.32% (required 6.0%); and

• Total Capital ratio 13.75% (required 8.0%).

At December 31, 2015, the regulatory capital of Oppenheimer Investments Asia Limited was \$2.5 million, which was \$2.1 million in excess of the \$387,000 required to be maintained on that date. Oppenheimer Investments Asia Limited computes its regulatory capital pursuant to the requirements of the Securities and Futures Commission in Hong Kong.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

18. Goodwill and intangibles

Goodwill

The Company's goodwill of \$137.9 million resides in its PCD reporting unit. The Company performed its annual test for goodwill impairment as of December 31, 2015 and 2014, which did not result in any impairment charges. At each annual goodwill impairment testing date, the PCD reporting unit had a fair value that was substantially in excess of its carrying value.

Intangible Assets

Indefinite intangible assets are comprised of trademarks and trade names. Trademarks and trade names, carried at \$31.7 million, which are not amortized, are subject to at least an annual test for impairment to determine if the estimated fair value is less than their carrying amount. Trademarks and trade names recorded at December 31, 2015 and 2014 have been tested for impairment and it has been determined that no impairment has occurred.

19. Segment information

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

The Company's reportable segments are:

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

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

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

Commercial Mortgage Banking - includes loan origination and servicing fees from the Company's subsidiary, OMHMF; and

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

The table below presents information about the reported revenue and net income (loss) before taxes of the Company for the years ended December 31, 2015, 2014 and 2013. Asset information by reportable segment is not reported, since the Company does not produce such information for internal use by the chief operating decision maker.

Table of Contents

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

(Expressed in thousands)

	For the Year Ended December 31,		
	2015	2014	2013
Revenue			
Private client ⁽¹⁾	\$521,526	\$582,364	\$600,071
Asset management ⁽¹⁾	97,121	99,964	102,214
Capital markets	279,589	298,597	281,377
Commercial mortgage banking	30,584	23,329	34,144
Corporate/Other	(435	) 210	1,908
Total	\$928,385	\$1,004,464	\$1,019,714
Income (loss) before income tax provision (benefit)			
Private client ⁽¹⁾	\$59,016	\$60,116	\$65,924
Asset management ⁽¹⁾	33,133	33,707	40,951
Capital markets	5,167	17,819	6,968
Commercial mortgage banking	9,139	8,546	11,413
Corporate/Other	(99,744	) (94,452	) (81,347
Total	\$6,711	\$25,736	\$43,909

(1) Asset management fees are allocated 22.5% to the Asset Management and 77.5% to the Private Client segments. Revenue, classified by the major geographic areas in which it was earned for the years ended December 31, 2015, 2014 and 2013 was as follows:

(Expressed in thousands)

	Year Ended December 31,		
	2015	2014	2013
Americas	\$883,805	\$955,361	\$978,249
Europe/Middle East	40,603	43,087	36,516
Asia	3,977	6,016	4,949
Total	\$928,385	\$1,004,464	\$1,019,714

20. Subsequent events

On January 29, 2016, the Company announced a quarterly dividend in the amount of \$0.11 per share, paid on February 26, 2016 to holders of Class A Stock and Class B Stock of record on February 12, 2016.

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

21. Quarterly information (unaudited)

(Expressed in thousands, except per share amounts)

For the Year Ended December 31, 2015	Fiscal Quarters				
	Fourth	Third	Second	First	Year
Revenue	\$230,360	\$213,536	\$238,928	\$245,561	\$928,385
Income (loss) before income tax provision (benefit)	(4,243)	(1,527)	2,630	9,851	6,711
Net income (loss) attributable to Oppenheimer Holdings Inc.	(3,144)	(908)	295	5,719	1,962
Earnings (loss) per share attributable to Oppenheimer Holdings Inc.					
Basic	(0.23)	(0.07)	0.02	0.42	0.14
Diluted	(0.23)	(0.07)	0.02	0.40	0.14
Dividends per share	0.11	0.11	0.11	0.11	0.44
Market price of Class A Stock ⁽¹⁾					
High	20.98	26.80	27.99	24.41	27.99
Low	15.60	17.40	22.30	19.04	15.60

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

(Expressed in thousands, except per share amounts)

For the Year Ended December 31, 2014	Fiscal Quarters				
	Fourth	Third	Second	First	Year
Revenue	\$254,928	\$244,679	\$249,689	\$255,168	\$1,004,464
Income before income tax provision	9,595	10,896	136	5,109	25,736
Net income (loss) attributable to Oppenheimer Holdings Inc.	2,686	4,470	(1,554)	3,224	8,826
Earnings (loss) per share attributable to Oppenheimer Holdings Inc.					
Basic	0.20	0.33	(0.11)	0.24	0.65
Diluted	0.19	0.31	(0.11)	0.23	0.62
Dividends per share	0.11	0.11	0.11	0.11	0.44
Market price of Class A Stock ⁽¹⁾					
High	24.70	24.80	28.86	29.75	29.75
Low	19.97	19.76	21.28	22.26	19.76

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

Table of Contents

OPPENHEIMER HOLDINGS INC.

Notes to Consolidated Financial Statements

22. Condensed consolidating financial information

The Company's Notes are jointly and severally and fully and unconditionally guaranteed on a senior basis by E.A. Viner International Co. and Viner Finance Inc. (together, the "Guarantors"), unless released as described below. Each of the Guarantors is 100% owned by the Company. The indenture for the Notes contains covenants with restrictions which are discussed in Note 11. The following condensed consolidating financial information presents the financial position, results of operations and cash flows of the Company (referred to as "Parent" for purposes of this Note only), the Guarantor subsidiaries, the Non-Guarantor subsidiaries and elimination entries necessary to consolidate the Company.

Each Guarantor will be automatically and unconditionally released and discharged upon: the sale, exchange or transfer of the capital stock of a Guarantor and the Guarantor ceasing to be a direct or indirect subsidiary of the Company if such sale does not constitute an asset sale under the indenture for the Notes or does not constitute an asset sale effected in compliance with the asset sale and merger covenants of the indenture for the Notes; a Guarantor being dissolved or liquidated; a Guarantor being designated unrestricted in compliance with the applicable provisions of the Notes; or the exercise by the Company of its legal defeasance option or covenant defeasance option or the discharge of the Company's obligations under the indenture for the Notes in accordance with the terms of such indenture.

Table of Contents

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2015

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$907	\$2,586	\$ 59,871	\$—	\$63,364
Deposits with clearing organizations	—	—	49,490	—	49,490
Receivable from brokers, dealers and clearing organizations	—	—	360,913	—	360,913
Receivable from customers, net of allowance for credit losses of \$2,545	—	—	840,355	—	840,355
Income tax receivable	33,801	27,536	—	(50,400)	10,937
Securities purchased under agreements to resell	—	—	206,499	—	206,499
Securities owned, including amounts pledged of \$546,334 at fair value	—	1,183	734,210	—	735,393
Notes receivable, net of accumulated amortization and allowance for uncollectibles of \$54,919 and \$8,444, respectively	—	—	32,849	—	32,849
Office facilities, net of accumulated depreciation of \$104,961	—	20,793	7,497	—	28,290
Loans held for sale, at fair value	—	—	60,234	—	60,234
Mortgage servicing rights	—	—	28,168	—	28,168
Subordinated loan receivable	—	112,558	—	(112,558)	—
Intangible assets	—	—	31,700	—	31,700
Goodwill	—	—	137,889	—	137,889
Other assets	1,201	3,224	102,458	—	106,883
Deferred tax assets	317	330	29,900	(30,547)	—
Investment in subsidiaries	577,320	532,651	—	(1,109,971)	—
Intercompany receivables	60,187	13,185	—	(73,372)	—
Total assets	\$673,733	\$714,046	\$ 2,682,033	\$(1,376,848)	\$2,692,964
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	\$—	\$—	\$ 48,011	\$—	\$48,011
Bank call loans	—	—	100,200	—	100,200
Payable to brokers, dealers and clearing organizations	—	—	164,546	—	164,546
Payable to customers	—	—	594,833	—	594,833
Securities sold under agreements to repurchase	—	—	651,445	—	651,445
Securities sold, but not yet purchased, at fair value	—	—	126,493	—	126,493
Accrued compensation	—	—	150,898	—	150,898
Accounts payable and other liabilities	3,235	35,812	125,736	—	164,783
Income tax payable	2,440	22,189	25,771	(50,400)	—
Senior secured notes	150,000	—	—	—	150,000

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Subordinated indebtedness	—	—	112,558	(112,558)	—
Deferred tax liabilities	—	—	47,220	(30,547)	16,673
Intercompany payables	—	62,204	11,168	(73,372)	—
Total liabilities	155,675	120,205	2,158,879	(266,877)	2,167,882
Stockholders' equity					
Stockholders' equity attributable to Oppenheimer Holdings Inc.	518,058	593,841	516,130	(1,109,971)	518,058
Noncontrolling interest	—	—	7,024	—	7,024
Total stockholders' equity	518,058	593,841	523,154	(1,109,971)	525,082
Total liabilities and stockholders' equity	\$ 673,733	\$ 714,046	\$ 2,682,033	\$(1,376,848)	\$ 2,692,964

115

Table of Contents

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING BALANCE SHEET
AS OF DECEMBER 31, 2014

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	\$439	\$1,557	\$ 61,811	\$—	\$63,807
Cash and securities segregated for regulatory and other purposes	—	—	18,594	—	18,594
Deposits with clearing organizations	—	—	36,510	—	36,510
Receivable from brokers, dealers and clearing organizations	—	—	314,475	—	314,475
Receivable from customers, net of allowance for credit losses of \$2,427	—	—	864,189	—	864,189
Income tax receivable	28,070	27,304	—	(51,134)	4,240
Securities purchased under agreements to resell	—	—	251,606	—	251,606
Securities owned, including amounts pledged of \$518,123, at fair value	—	5,806	837,349	—	843,155
Notes receivable, net of accumulated amortization and allowance for uncollectibles of \$42,211 and \$8,606, respectively	—	—	34,932	—	34,932
Office facilities, net of accumulated depreciation of \$103,547	—	20,181	9,408	—	29,589
Loans held for sale, at fair value	—	—	19,243	—	19,243
Mortgage servicing rights	—	—	30,140	—	30,140
Subordinated loan receivable	—	112,558	—	(112,558)	—
Intangible assets	—	—	31,700	—	31,700
Goodwill	—	—	137,889	—	137,889
Other assets	1,686	3,803	101,897	—	107,386
Deferred tax assets	18	309	27,973	(28,300)	—
Investment in subsidiaries	565,257	544,576	—	(1,109,833)	—
Intercompany receivables	87,442	—	—	(87,442)	—
Total assets	\$682,912	\$716,094	\$ 2,777,716	\$(1,389,267)	\$2,787,455
LIABILITIES AND STOCKHOLDERS' EQUITY					
Liabilities					
Drafts payable	\$—	\$—	\$ 35,373	\$—	\$35,373
Bank call loans	—	—	59,400	—	59,400
Payable to brokers, dealers and clearing organizations	—	—	257,161	—	257,161
Payable to customers	—	—	652,256	—	652,256
Securities sold under agreements to repurchase	—	—	687,440	—	687,440
Securities sold, but not yet purchased, at fair value	—	—	92,510	—	92,510
Accrued compensation	—	—	165,134	—	165,134
Accounts payable and other liabilities	2,828	35,800	102,724	—	141,352

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Income tax payable	2,440	22,189	26,505	(51,134)	—
Senior secured notes	150,000	—	—	—	150,000
Subordinated indebtedness	—	—	112,558	(112,558)	—
Deferred tax liabilities	—	88	41,309	(28,300)	13,097
Intercompany payables	—	76,492	10,950	(87,442)	—
Total liabilities	155,268	134,569	2,243,320	(279,434)	2,253,723
Stockholders' equity					
Stockholders' equity attributable to Oppenheimer Holdings Inc.	527,644	581,525	528,308	(1,109,833)	527,644
Noncontrolling interest	—	—	6,088	—	6,088
Total stockholders' equity	527,644	581,525	534,396	(1,109,833)	533,732
Total liabilities and stockholders' equity	\$682,912	\$716,094	\$ 2,777,716	\$(1,389,267)	\$2,787,455

116

Table of Contents

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2015

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	\$—	\$—	\$ 417,559	\$—	\$ 417,559
Advisory fees	—	1,296	282,633	(3,682)	280,247
Investment banking	—	—	102,540	—	102,540
Interest	—	10,237	51,055	(10,261)	51,031
Principal transactions, net	—	—	20,567	(64)	20,503
Other	—	370	56,435	(300)	56,505
Total revenue	—	11,903	930,789	(14,307)	928,385
EXPENSES					
Compensation and related expenses	1,185	—	622,041	—	623,226
Communications and technology	142	—	66,768	—	66,910
Occupancy and equipment costs	—	—	63,444	(300)	63,144
Clearing and exchange fees	—	—	26,022	—	26,022
Interest	13,125	—	14,459	(10,261)	17,323
Other	1,663	892	126,240	(3,746)	125,049
Total expenses	16,115	892	918,974	(14,307)	921,674
Income (loss) before income tax provision (benefit)	(16,115)	11,011	11,815	—	6,711
Income tax provision (benefit)	(6,030)	5,553	4,290	—	3,813
Equity in earnings of subsidiaries	12,047	6,589	—	(18,636)	—
Net income for the year	1,962	12,047	7,525	(18,636)	2,898
Less net income attributable to noncontrolling interest, net of tax	—	—	936	—	936
Net income attributable to Oppenheimer Holdings Inc.	1,962	12,047	6,589	(18,636)	1,962
Other comprehensive income	—	—	17	—	17
Total comprehensive income	\$ 1,962	\$ 12,047	\$ 6,606	\$ (18,636)	\$ 1,979

Table of Contents

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2014

(Expressed in thousands)	Parent	Guarantor subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated
REVENUES					
Commissions	\$—	\$—	\$ 469,829	\$—	\$ 469,829
Advisory fees	—	1,139	283,785	(3,244)	281,680
Investment banking	—	—	125,598	—	125,598
Interest	—	10,482	49,193	(10,431)	49,244
Principal transactions, net	—	164	29,535	—	29,699
Other	—	477	48,362	(425)	48,414
Total revenue	—	12,262	1,006,302	(14,100)	1,004,464
EXPENSES					
Compensation and related expenses	1,047	—	663,594	—	664,641
Communications and technology	145	—	67,025	—	67,170
Occupancy and equipment costs	—	—	63,437	(425)	63,012
Clearing and exchange fees	—	—	24,709	—	24,709
Interest	14,401	—	13,831	(10,431)	17,801
Other	4,626	733	139,280	(3,244)	141,395
Total expenses	20,219	733	971,876	(14,100)	978,728
Income (loss) before income tax provision (benefit)	(20,219)	11,529	34,426	—	25,736
Income tax provision (benefit)	(7,917)	3,971	20,121	—	16,175
Equity in earnings of subsidiaries	21,128	13,570	—	(34,698)	—
Net income for the year	8,826	21,128	14,305	(34,698)	9,561
Less net income attributable to noncontrolling interest, net of tax	—	—	735	—	735
Net income attributable to Oppenheimer Holdings Inc.	8,826	21,128	13,570	(34,698)	8,826
Other comprehensive loss	—	—	(2,627)	—	(2,627)
Total comprehensive income	\$ 8,826	\$ 21,128	\$ 10,943	\$ (34,698)	\$ 6,199

Table of Contents

OPPENHEIMER HOLDINGS INC.
Notes to Consolidated Financial Statements

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

(Expressed in thousands)

Parent

Guarantor
subsidiaries