OPPENHEIMER HOLDINGS INC
Form 10-Q
July 28, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 1-12043

OPPENHEIMER HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware	98-0080034
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

85 Broad Street
New York, New York 10004
(Address of principal executive offices) (Zip Code)
(212) 668-8000
(Registrant's Telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o
Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

The number of shares of the Company's Class A non-voting common stock and Class B voting common stock (being the only classes of common stock of the Company) outstanding on July 28, 2017 was 13,141,775 and 99,665 shares, respectively.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (unaudited)

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(Expressed in thousands, except number of shares and per share amounts)	June 30, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	$116,582	$64,913
Deposits with clearing organizations	40,685	38,185
Receivable from brokers, dealers and clearing organizations	224,706	214,934
Receivable from customers, net of allowance for credit losses of $790 ($794 in 2016)	873,815	847,386
Income tax receivable	10,105	5,816
Securities purchased under agreements to resell, $3,617 at fair value	4,852	24,006
Securities owned, including amounts pledged of $644,359 ($438,385 in 2016), at fair value	986,432	707,108
Notes receivable, net of accumulated amortization and allowance for uncollectibles of $23,735 and $7,445, respectively ($24,826 and $6,784, respectively, in 2016)	36,240	30,099
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $86,502 ($84,073 in 2016)	26,525	27,233
Intangible assets	31,700	31,700
Goodwill	137,889	137,889
Other assets	117,988	107,661
Total assets	$2,607,519	$2,236,930
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Drafts payable	$29,767	$39,228
Bank call loans	230,400	145,800
Payable to brokers, dealers and clearing organizations	239,578	221,389
Payable to customers	498,562	449,946
Securities sold under agreements to repurchase	457,809	378,084
Securities sold but not yet purchased, at fair value	234,778	85,050
Accrued compensation	113,088	145,053
Accounts payable and other liabilities	89,065	96,557
Senior secured notes, net of debt issuance costs of $1,104 ($648 in 2016)	198,896	149,352
Deferred tax liabilities, net of deferred tax assets of $61,296 ($59,062 in 2016)	14,462	13,137
Total liabilities	2,106,405	1,723,596
Commitments and contingencies (Note 11)		
Stockholders' equity		
Share capital		
Class A non-voting common stock, par value $0.001 per share, 50,000,000 shares authorized, 13,132,775 and 13,261,095 shares issued and outstanding as of June 30, 2017 and December 31, 2016, respectively	57,926	59,228
Class B voting common stock, par value $0.001 per share, 99,665 shares authorized, issued and outstanding	133	133
	58,059	59,361
Contributed capital	38,774	41,765
Retained earnings	400,844	410,258

Accumulated other comprehensive income (loss)	1,523	(681)
Total Oppenheimer Holdings Inc. stockholders' equity	499,200	510,703
Noncontrolling interest	1,914	2,631
Total stockholders' equity	501,114	513,334
Total liabilities and stockholders' equity	$2,607,519	$2,236,930

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Expressed in thousands, except number of shares and per share amounts)	2017	2016	2017	2016
REVENUE				
Commissions	$83,852	$92,591	$170,569	$196,424
Advisory fees	72,783	66,104	142,192	132,130
Investment banking	15,386	18,881	33,407	31,264
Interest	12,829	12,007	23,394	25,049
Principal transactions, net	5,302	7,577	10,675	14,195
Other	25,732	14,914	48,908	27,968
Total revenue	215,884	212,074	429,145	427,030
EXPENSES				
Compensation and related expenses	142,657	141,721	286,535	290,216
Communications and technology	18,399	17,638	36,105	35,318
Occupancy and equipment costs	15,161	14,984	30,433	29,887
Clearing and exchange fees	5,916	6,199	11,770	13,120
Interest	6,854	4,972	12,210	9,839
Other	28,534	31,806	60,754	61,236
Total expenses	217,521	217,320	437,807	439,616
Loss before income taxes from continuing operations	(1,637)	(5,246)	(8,662)	(12,586)
Income taxes	(274)	(2,391)	(1,961)	(6,439)
Net loss from continuing operations	(1,363)	(2,855)	(6,701)	(6,147)
Discontinued operations				
Income from discontinued operations	89	15,366	1,065	14,709
Income taxes	36	5,800	425	5,760
Net income from discontinued operations	53	9,566	640	8,949
Net income (loss)	(1,310)	6,711	(6,061)	2,802
Less net income attributable to noncontrolling interest, net of tax	9	1,523	105	1,461
Net income (loss) attributable to Oppenheimer Holdings Inc.	$(1,319)	$5,188	$(6,166)	$1,341
Basic net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	$(0.10)	$(0.21)	$(0.50)	$(0.46)
Discontinued operations	—	0.60	0.04	0.56
Net income (loss) per share	$(0.10)	$0.39	$(0.46)	$0.10
Diluted net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	$(0.10)	$(0.21)	$(0.50)	$(0.46)
Discontinued operations	—	0.60	0.04	0.56
Net income (loss) per share	$(0.10)	$0.39	$(0.46)	$0.10
Dividends declared per share	$0.11	$0.11	$0.22	$0.22
Weighted average shares				

Basic	13,260,855	13,367,248	13,329,670	13,373,537
Diluted	13,260,855	13,367,248	13,329,670	13,373,537

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(Expressed in thousands)	2017	2016	2017	2016
Net income (loss)	$(1,310)	$6,711	$(6,061)	$2,802
Other comprehensive income (loss), net of tax [1]				
Currency translation adjustment	780	(654)	2,204	219
Comprehensive income (loss)	(530)	6,057	(3,857)	3,021
Net income attributable to noncontrolling interest, net of tax	9	1,523	105	1,461
Comprehensive income (loss) attributable to Oppenheimer Holdings Inc.	$(539)	$4,534	$(3,962)	$1,560

(1) No other comprehensive income (loss) is attributable to noncontrolling interests.
The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)
FOR THE SIX MONTHS ENDED JUNE 30,

(Expressed in thousands)	2017	2016
Share capital		
Balance at beginning of period	$59,361	$57,520
Issuance of Class A non-voting common stock	3,857	5,584
Repurchase of Class A non-voting common stock for cancellation	(5,159)	(3,798)
Balance at end of period	58,059	59,306
Contributed capital		
Balance at beginning of period	41,765	44,438
Tax deficiency from share-based awards	—	(747)
Share-based expense	2,644	2,842
Vested employee share plan awards	(6,060)	(6,925)
Other	425	—
Balance at end of period	38,774	39,608
Retained earnings		
Balance at beginning of period	410,258	417,001
Net income (loss) attributable to Oppenheimer Holdings Inc.	(6,166)	1,341
Dividends paid ($0.22 per share)	(2,940)	(2,947)
Dividends received from noncontrolling interest	6	285
Other	(314)	—
Balance at end of period	400,844	415,680
Accumulated other comprehensive income (loss)		
Balance at beginning of period	(681)	(901)
Currency translation adjustment	2,204	219
Balance at end of period	1,523	(682)
Total Oppenheimer Holdings Inc. stockholders' equity	499,200	513,912
Noncontrolling interest		
Balance at beginning of period	2,631	7,024
Net income attributable to noncontrolling interest, net of tax	105	1,461
Dividends paid to noncontrolling interest	(816)	—
Dividends paid to parent	(6)	(285)
Balance at end of period	1,914	8,200
Total stockholders' equity	$501,114	$522,112

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
FOR THE SIX MONTHS ENDED JUNE 30,

(Expressed in thousands)	2017	2016
Cash flows from operating activities		
Net income (loss) for the period	$(6,061)	$2,802
Adjustments to reconcile net income (loss) to net cash used in operating activities		
Non-cash items included in net income (loss):		
Depreciation and amortization of furniture, equipment and leasehold improvements	2,783	2,981
Deferred income taxes	1,325	(5,725)
Amortization of notes receivable	5,756	6,752
Amortization of debt issuance costs	223	242
Write-off of debt issuance costs	430	—
Amortization of mortgage servicing rights	—	1,224
Reversal of credit losses	(4)	(2)
Share-based compensation	1,715	2,595
Tax deficiency from share-based awards	—	(747)
Gain on sale of assets	—	(14,916)
Decrease (increase) in operating assets:		
Deposits with clearing organizations	(2,500)	6,580
Receivable from brokers, dealers and clearing organizations	(9,772)	57,593
Receivable from customers	(26,425)	59,687
Income tax receivable	(4,289)	10,213
Securities purchased under agreements to resell	19,154	206,499
Securities owned	(279,324)	(217,075)
Notes receivable	(11,897)	(6,915)
Loans held for sale	—	58,491
Mortgage servicing rights	—	(1,036)
Other assets	(9,317)	(19,022)
Increase (decrease) in operating liabilities:		
Drafts payable	(9,461)	(21,252)
Payable to brokers, dealers and clearing organizations	18,189	7,816
Payable to customers	48,616	1,608
Securities sold under agreements to repurchase	79,725	(218,533)
Securities sold but not yet purchased	149,728	132,539
Accrued compensation	(30,925)	(42,521)
Accounts payable and other liabilities	(8,054)	(49,999)
Cash used in operating activities	(70,385)	(40,121)
Cash flows from investing activities		
Purchase of furniture, equipment and leasehold improvements	(2,075)	(2,572)
Proceeds from sale of assets	—	43,252
Proceeds from the settlement of company-owned life insurance	1,194	—
Cash (used in) provided by investing activities	(881)	40,680
Cash flows from financing activities		
Cash dividends paid on Class A non-voting and Class B voting common stock	(2,940)	(2,947)
Cash dividends paid to noncontrolling interest	(816)	—
Repurchase of Class A non-voting common stock for cancellation	(5,159)	(3,798)

Payments for employee taxes withheld related to vested share-based awards	(2,203)	(1,341)
Issuance of senior secured note	200,000	—
Redemption of senior secured notes	(150,000)	—
Debt issuance costs	(547)	—
Increase in bank call loans, net	84,600	51,700
Cash provided by financing activities	122,935	43,614
Net increase in cash and cash equivalents	51,669	44,173
Cash and cash equivalents, beginning of period	64,913	63,364
Cash and cash equivalents, end of period	$116,582	$107,537
Schedule of non-cash financing activities		
Employee share plan issuance	$3,857	$5,584
Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$14,607	$10,270
Cash paid (received) during the period for income taxes, net	$551	$(4,420)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

1. Organization and basis of presentation

Organization

Oppenheimer Holdings Inc. ("OPY") is incorporated under the laws of the State of Delaware. The condensed consolidated financial statements include the accounts of OPY and its subsidiaries (together, the "Company"). The Company engages in a broad range of activities in the financial services industry, including retail securities brokerage, institutional sales and trading, investment banking (both corporate and public finance), research, market-making, trust services, and investment advisory and asset management services.

The Company provides its services from 94 offices in 24 states located throughout the United States and in 5 foreign jurisdictions. The principal subsidiaries of OPY are Oppenheimer & Co. Inc. ("Oppenheimer"), a registered broker-dealer in securities and investment adviser under the Investment Advisers Act of 1940, Oppenheimer Asset Management Inc. ("OAM") and its wholly- owned subsidiary, Oppenheimer Investment Management LLC, both registered investment advisers under the Investment Advisers Act of 1940, Oppenheimer Trust Company of Delaware ("Oppenheimer Trust"), a limited purpose trust company that provides fiduciary services such as trust and estate administration and investment management, OPY Credit Corp., which offers syndication as well as trading of issued corporate loans, Oppenheimer Europe Ltd., based in the United Kingdom, with offices in the Isle of Jersey and Switzerland, which provides institutional equities and fixed income brokerage and corporate financial services and is regulated by the Financial Conduct Authority, and Oppenheimer Investments Asia Limited, based in Hong Kong, China, which provides assistance in accessing the U.S. equities markets and limited mergers and acquisitions advisory services to Asia-based companies, as well as offering fixed income brokerage services to institutional investors, and is regulated by the Securities and Futures Commission. Oppenheimer Multifamily Housing & Healthcare Finance, Inc. ("OMHHF") was formerly engaged in Federal Housing Administration ("FHA")-insured commercial mortgage origination and servicing. During 2016, the Company sold substantially all of the assets of OMHHF and ceased its operations.

Oppenheimer owns Freedom Investments, Inc. ("Freedom"), a registered broker dealer in securities, which provides discount brokerage services, and Oppenheimer Israel (OPCO) Ltd., which is engaged in offering investment services in the State of Israel. Oppenheimer holds a trading permit on the New York Stock Exchange and is a member of several other regional exchanges in the United States.

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The accompanying December 31, 2016 condensed consolidated balance sheet data was derived from the audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions that the Company may undertake in the future, actual results may differ materially from the estimates. The results of operations for the six month period ended June 30, 2017 are not necessarily indicative of the results to be expected for any future interim or annual period.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Accounting standards require the Company to present noncontrolling interests as a separate component of stockholders' equity on the Company's condensed consolidated balance sheet. As of June 30, 2017, the Company owned 83.68% of OMHHF and the noncontrolling interest recorded on the condensed consolidated balance sheet was $1.9 million.

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2. New accounting pronouncements

Recently Issued

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers." The ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Additionally, the ASU expands the disclosure requirements for revenue recognition. In 2016, the FASB additionally issued ASU 2016-08, ASU 2016-10, and ASU 2016-12, which provide further revenue recognition guidance related to principal versus agent considerations, performance obligations and licensing, and narrow-scope improvements and practical expedients. All of these standards are effective either retrospectively to each prior reporting period presented, or as a cumulative-effect adjustment as of the date of adoption, during interim and annual periods beginning after December 15, 2017. The Company's implementation team is performing an in-depth review of the Company's revenue streams and evaluating the impact of the adoption of these updates on the Company's financial condition, results of operations, cash flows, and disclosures. Based on the Company's preliminary assessment, it has determined that the adoption of these updates may defer the timing of the recognition of upfront investment banking advisory fees (e.g., retainer and engagement fees) until completion of the engagement. These upfront fees are currently recognized ratably over the service period. The new guidance may also require underwriting expenses to be recorded on a gross basis while the current guidance requires recognizing underwriting revenues net of related underwriting expenses. In addition, the new guidance requires enhanced disclosures, including revenue recognition policies to identify performance obligations to customers and significant judgments in measurement and recognition. The Company is continuing its assessment and may identify other revenue streams that will be impacted.

In January 2016, the FASB issued ASU 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," which revises an entity's accounting related to the classification and measurement of investments in equity securities, changes the presentation of certain fair value changes relating to instrument specific credit risk for financial liabilities and amends certain disclosure requirements associated with the fair value of financial instruments. The ASU is effective for fiscal years beginning after December 15, 2017. The adoption of the ASU will not have a material impact on the Company's condensed consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases." The ASU requires the recognition of a right-of use asset and lease liability on the balance sheet by lessees for those leases classified as operating leases under previous guidance. The ASU is effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of adopting this ASU which it expects will have a material impact on its condensed consolidated financial statements. Since the Company has operating leases in over 100 locations, the Company expects to recognize a significant right-of use asset and lease liability on its condensed consolidated balance sheet upon adoption of this ASU.

In June 2016, the FASB issued ASU 2016-13, "Measurement of Credit Losses on Financial Instruments," which amends the FASB's guidance on the impairment of financial instruments. The ASU adds to U.S. GAAP an impairment model ("current expected credit loss model"). Under this new guidance, an entity recognizes as an allowance its estimate of expected credit losses. The ASU is effective for the fiscal year beginning after December 15, 2019. The Company is currently evaluating the impact, if any, that the ASU will have on its condensed consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Classification of Certain Cash Receipts and Cash Payments," which amends the guidance on the classification of certain cash receipts and payments in the statement of cash flow. The ASU is effective for the fiscal year beginning after December 15, 2017 and early adoption is permitted. The Company will not early adopt this ASU. The Company is currently evaluating the impact of the ASU and the adoption of the ASU is not expected to have a material impact on its condensed consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flow - Restricted Cash," which adds or clarifies guidance on the classification and presentation of restricted cash in the statement of cash flows. The ASU is effective for the fiscal year beginning after December 15, 2017 and early adoption is permitted. The Company will not early adopt this ASU. The Company is currently evaluating the impact of the ASU and the adoption of the ASU is not expected to have a material impact on its condensed consolidated financial statements.

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In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other, Simplifying the Test for Goodwill Impairment," which simplifies the subsequent measurement of goodwill. The Company is no longer required to perform its Step 2 goodwill impairment test; instead, the Company should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The ASU is effective for the fiscal year beginning after December 15, 2019 and early adoption is permitted. The Company will not early adopt this ASU. The Company is currently evaluating the impact of the ASU and the adoption of the ASU is not expected to have a material impact on its condensed consolidated financial statements.

3. Discontinued operations

OMHHF historically was 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 offered mortgage services to developers of commercial properties including apartments, elderly housing and nursing homes that satisfy FHA criteria. OMHHF maintained a mortgage servicing portfolio for which it provided a full array of services, including the collection of mortgage payments from mortgagors which were 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.

On June 2, 2016, OMHHF entered into a definitive agreement to sell OMHHF's entire portfolio of permanent mortgage loans (consisting of over 480 permanent loans insured by the U.S. Department of Housing and Urban Development), including the associated mortgage servicing rights. On June 20, 2016, OMHHF completed the transaction for cash consideration of approximately $45.0 million. An amount equal to $1.4 million was withheld from the purchase price until such time as one loan in the mortgage loan portfolio becomes current or is modified. The Company recorded a net gain of $14.9 million related to this transaction which was included in discontinued operations in the condensed consolidated statement of operations during the second quarter of 2016. During the second quarter of 2016, OMHHF also sold its business pipeline of mortgage loans for approximately $1.5 million.

During the third quarter of 2016, the Company recognized the $1.4 million that was withheld from the purchase price of the permanent mortgage loans as a result of the loan being modified as a gain. Also, OMHHF sold its construction loan portfolio and the associated mortgage servicing rights for approximately $3.8 million.

OMHHF made a dividend distribution to the noncontrolling interest in the amount of $816,000 during the six month period ended June 30, 2017.

The Company determined that the sale of the assets of OMHHF met the criteria to be classified within discontinued operations, and the results of OMHHF are reported as discontinued operations in the condensed consolidated statement of operations.

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The following is a summary of revenue and expenses of OMHHF for the three and six months ended June 30, 2017 and 2016:
(Expressed in thousands)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
REVENUE				
Interest	$2	$472	$5	$809
Principal transactions, net	—	(1,541)	—	(6,628)
Gain on sale of assets	—	14,916	—	14,916
Other [(1)]	109	4,070	1,104	12,558
Total revenue	111	17,917	1,109	21,655
EXPENSES				
Compensation and related expenses	6	734	17	3,652
Communications and technology	4	60	12	161
Occupancy and equipment costs	—	287	—	362
Interest	—	159	—	380
Other	12	1,311	15	2,391
Total expenses	22	2,551	44	6,946
Income before income taxes	$89	$15,366	$1,065	$14,709
Income attributable to noncontrolling interest before income taxes	$15	$2,508	$174	$2,401

(1) Other revenue for the three and six months ended June 30, 2017 was primarily due to an earn-out from the sale of the Company's pipeline business in 2016.

The following is a summary of cash flows of OMHHF for the six months ended June 30, 2017 and 2016:
(Expressed in thousands)

	For the Six Months Ended June 30,	
	2017	2016
Cash provided by operating activities	$4,231	$5,624
Cash provided by investing activities	—	43,252
Cash used in financing activities [(1)(2)]	(10,035)	(124)
Net (decrease) increase in cash and cash equivalents	$(5,804)	$48,752

(1) Includes cash dividends paid to its parent (E.A. Viner International Co.) and noncontrolling interest of $4.2 million and $816,000, respectively, for the six months ended June 30, 2017.

(2) Includes $5.0 million paid to its parent due to redemption of its outstanding preferred stock for the six months ended June 30, 2017.

Intraperiod U.S. GAAP tax allocation rules require that the Company allocate its provision for income taxes between continuing operations and other categories of earnings, such as discontinued operations. The tax effect related to categories other than continuing operations is generally their incremental tax effect. As a result, since the Company has a loss before income taxes from continuing operations and income from discontinued operations, the Company must first allocate an income tax benefit for the loss in continuing operations and then the incremental tax effect in discontinued operations.

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4. 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 non-voting common stock ("Class A Stock") and Class B voting common stock ("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 have been calculated as follows:

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2017	2016	2017	2016
Basic weighted average number of shares outstanding	$13,260,855	$13,367,248	$13,329,670	$13,373,537
Net dilutive effect of share-based awards, treasury method (1)	—	—	—	—
Diluted weighted average number of shares outstanding	$13,260,855	$13,367,248	$13,329,670	$13,373,537
Net loss from continuing operations	$(1,363)	$(2,855)	$(6,701)	$(6,147)
Net income from discontinued operations	53	9,566	640	8,949
Net income (loss)	(1,310)	6,711	(6,061)	2,802
Net income attributable to noncontrolling interest, net of tax	9	1,523	105	1,461
Net income (loss) attributable to Oppenheimer Holdings Inc.	$(1,319)	$5,188	$(6,166)	$1,341
Basic net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	$(0.10)	$(0.21)	$(0.50)	$(0.46)
Discontinued operations (2)	—	0.60	0.04	0.56
Net income (loss) per share	$(0.10)	$0.39	$(0.46)	$0.10
Diluted net income (loss) per share attributable to Oppenheimer Holdings Inc.				
Continuing operations	$(0.10)	$(0.21)	$(0.50)	$(0.46)
Discontinued operations (2)	—	0.60	0.04	0.56
Net income (loss) per share	$(0.10)	$0.39	$(0.46)	$0.10

(1) For both the three and six months ended June 30, 2017, the diluted net income (loss) per share computation does not include the anti-dilutive effect of 1,336,424 shares of Class A Stock granted under share-based compensation arrangements (1,271,124 for the three and six months ended June 30, 2016).

(2) Represents net income from discontinued operations less net income attributable to noncontrolling interest, net of tax divided by weighted average number of shares outstanding.

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5. Receivable from and payable to brokers, dealers and clearing organizations

(Expressed in thousands)

	As of June 30, 2017	December 31, 2016
Receivable from brokers, dealers and clearing organizations consist of:		
Securities borrowed	$158,454	$154,090
Receivable from brokers	25,095	25,768
Securities failed to deliver	15,147	6,172
Clearing organizations	22,700	26,081
Other	3,310	2,823
Total	$224,706	$214,934
Payable to brokers, dealers and clearing organizations consist of:		
Securities loaned	$141,654	$179,875
Payable to brokers	17,976	610
Securities failed to receive	34,421	11,523
Other	45,527	29,381
Total	$239,578	$221,389

6. Fair value measurements

Securities owned, securities sold but not yet purchased, investments and derivative contracts are carried at fair value with changes in fair value recognized in earnings each period.

Valuation Techniques

A description of the valuation techniques applied and inputs used in measuring the fair value of the Company's financial instruments is as follows:

U.S. Government Obligations

U.S. Treasury securities are valued using quoted market prices obtained from active market makers and inter-dealer brokers.

U.S. Agency Obligations

U.S. agency securities consist of agency issued debt securities and mortgage pass-through securities. Non-callable agency issued debt securities are generally valued using quoted market prices. Callable agency issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The fair value of mortgage pass-through securities are model driven with respect to spreads of the comparable to-be-announced ("TBA") security.

Sovereign Obligations

The fair value of sovereign obligations is determined based on quoted market prices when available or a valuation model that generally utilizes interest rate yield curves and credit spreads as inputs.

Corporate Debt and Other Obligations

The fair value of corporate bonds is estimated using recent transactions, broker quotations and bond spread information.

Mortgage and Other Asset-Backed Securities

The Company holds non-agency securities collateralized by home equity and various other types of collateral which are valued based on external pricing and spread data provided by independent pricing services. When specific external pricing is not observable, the valuation is based on yields and spreads for comparable bonds.

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Municipal Obligations

The fair value of municipal obligations is estimated using recently executed transactions, broker quotations, and bond spread information.

Convertible Bonds

The fair value of convertible bonds is estimated using recently executed transactions and dollar-neutral price quotations, where observable. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves and bond spreads as key inputs.

Corporate Equities

Equity securities and options are generally valued based on quoted prices from the exchange or market where traded. To the extent quoted prices are not available, fair values are generally derived using bid/ask spreads.

Auction Rate Securities ("ARS")

In February 2010, Oppenheimer finalized settlements with each of the New York Attorney General's office ("NYAG") and the Massachusetts Securities Division ("MSD" and, together with the NYAG, 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 June 30, 2017, 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 June 30, 2017, the Company purchased and holds (net of redemptions) approximately $109.2 million in ARS from its clients. In addition, the Company is committed to purchase another $10.0 million in ARS from clients through 2020 under legal settlements and awards.

The ARS positions that the Company owns and is committed to purchase primarily represent auction rate preferred securities issued by closed-end funds and, to a lesser extent, municipal auction rate securities which are municipal bonds wrapped by municipal bond insurance and student loan auction rate securities which are asset-backed securities backed by student loans.

Interest rates on ARS typically reset through periodic auctions. Due to the auction mechanism and generally liquid markets, ARS have historically been categorized as Level 1 of the fair value hierarchy. Beginning in February 2008, uncertainties in the credit markets resulted in substantially all of the ARS market experiencing failed auctions. Once the auctions failed, the ARS could no longer be valued using observable prices set in the auctions. The Company has used less observable determinants of the fair value of ARS, including the strength in the underlying credits, announced issuer redemptions, completed issuer redemptions, and announcements from issuers regarding their intentions with respect to their outstanding ARS. The Company has also developed an internal methodology to discount for the lack of liquidity and non-performance risk of the failed auctions. Due to liquidity problems associated with the ARS market, ARS that lack liquidity are setting their interest rates according to a maximum rate formula. For example, an auction rate preferred security maximum rate may be set at 200% of a short-term index such as LIBOR or U.S. Treasury yield. For fair value purposes, the Company has determined that the maximum spread would be an adequate risk premium to account for illiquidity in the market. Accordingly, the Company applies a spread to the short-term index for each asset class to derive the discount rate. The Company uses short-term U.S. Treasury yields as its benchmark short-term index. The risk of non-performance is typically reflected in the prices of ARS positions where the fair value is derived from recent trades in the secondary market.

The ARS purchase commitment, or derivative asset or liability, arises from both the settlements with the Regulators and legal settlements and awards. The ARS purchase commitment represents the difference between the principal value and the fair value of the ARS the Company is committed to purchase. The Company utilizes the same valuation methodology for the ARS purchase commitment as it does for the ARS it owns. Additionally, the present value of the future principal value of ARS purchase commitments under legal settlements and awards is used in the discounted valuation model to reflect the time value of money over the period of time that the commitments are outstanding. The amount of the ARS purchase commitment only becomes determinable once the Company has met with its primary regulator and the NYAG and agreed upon a buyback amount, commenced the ARS buyback offer to clients, and received notice from its clients which ARS they are tendering. As a result, it is not possible to observe the current yields actually paid on the ARS until all of these events have happened which is typically very close to the time that the Company actually purchases the ARS. For ARS purchase commitments pursuant to legal settlements and awards, the criteria for purchasing ARS from clients is based on the nature of the settlement or award which will stipulate a time period and amount for each repurchase. The Company will not know which ARS will be tendered by

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the client until the stipulated time for repurchase is reached. Therefore, the Company uses the current yields of ARS owned in its discounted valuation model to determine a fair value of ARS purchase commitments. The Company also uses these current yields by asset class (i.e., auction rate preferred securities, municipal auction rate securities, and student loan auction rate securities) in its discounted valuation model to determine the fair value of ARS purchase commitments. In addition, the Company uses the discount rate and duration of ARS owned, by asset class, as a proxy for the duration of ARS purchase commitments.

Additional information regarding the valuation technique and inputs for ARS used is as follows:

(Expressed in thousands)

Quantitative Information about ARS Level 3 Fair Value Measurements as of June 30, 2017

Product	Principal	Valuation Adjustment	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Auction Rate Securities Owned [1]							
Auction Rate Preferred Securities	$108,900	$ 2,037	$106,863	Discounted Cash Flow	Discount Rate [2]	1.89% to 2.58%	2.17%
					Duration	4.0 Years	4.0 Years
					Current Yield [3]	1.50% to 1.93%	1.68%
Municipal Auction Rate Securities	25	3	22	Secondary Market Trading Activity	Trades in Inactive Market for in-Portfolio Securities	87.75% of Par	87.75% of Par
Student Loan Auction Rate Securities	300	15	285	Discounted Cash Flow	Discount Rate [4]	3.34%	3.34%
					Duration	7.0 Years	7.0 Years
					Current Yield [3]	2.51%	2.51%
	$109,225	$ 2,055	$107,170				
Auction Rate Securities Commitments to Purchase [5]							
Auction Rate Preferred Securities	$14,937	$ 253	$14,684	Discounted Cash Flow	Discount Rate [2]	1.89% to 2.58%	2.17%
					Duration	4.0 Years	4.0 Years
					Current Yield [3]	1.50% to 1.93%	1.68%
Municipal Auction Rate Securities	2	—	2	Secondary Market Trading Activity	Trades in Inactive Market for in-Portfolio Securities	87.75% of Par	87.75% of Par
Student Loan Auction Rate Securities	24	1	23	Discounted Cash Flow	Discount Rate [4]	3.34%	3.34%
					Duration	7.0 Years	7.0 Years
					Current Yield [3]	2.51%	2.51%
	$14,963	$ 254	$14,709				
Total	$124,188	$ 2,309	$121,879				

(1)

Principal amount represents the par value of the ARS and is included in securities owned on the condensed consolidated balance sheet as of June 30, 2017. The valuation adjustment amount is included as a reduction to securities owned on the condensed consolidated balance sheet as of June 30, 2017.

(2) Derived by applying a multiple to the spread between 110% to 150% to the U.S. Treasury rate of 1.72%

(3) Based on current yields for ARS positions owned.

(4) Derived by applying the sum of the spread of 1.20% to the U.S. Treasury rate of 2.14%.

(5) Principal amount represents the present value of the ARS par value that the Company is committed to purchase at a future date. This principal amount is presented as an off-balance sheet item. The valuation adjustment amount is included in accounts payable and other liabilities on the condensed consolidated balance sheet as of June 30, 2017.

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The fair value of ARS and ARS purchase commitments is particularly sensitive to movements in interest rates. Increases in short-term interest rates would increase the discount rate input used in the ARS valuation and thus reduce the fair value of the ARS (increase the valuation adjustment). Conversely, decreases in short-term interest rates would decrease the discount rate and thus increase the fair value of ARS (decrease the valuation adjustment). However, an increase (decrease) in the discount rate input would be partially mitigated by an increase (decrease) in the current yield earned on the underlying ARS asset increasing the cash flows and thus the fair value. Furthermore, movements in short-term interest rates would likely impact the ARS duration (i.e., sensitivity of the price to a change in interest rates), which would also have a mitigating effect on interest rate movements. For example, as interest rates increase, issuers of ARS have an incentive to redeem outstanding securities as servicing the interest payments gets prohibitively expensive which would lower the duration assumption thereby increasing the ARS fair value. Alternatively, ARS issuers are less likely to redeem ARS in a lower interest rate environment as it is a relatively inexpensive source of financing which would increase the duration assumption thereby decreasing the ARS fair value. For example, see the following sensitivities:

- The impact of a 25 basis point increase in the discount rate at June 30, 2017 would result in a decrease in the fair value of $1.2 million (does not consider a corresponding reduction in duration as discussed above).

- The impact of a 50 basis point increase in the discount rate at June 30, 2017 would result in a decrease in the fair value of $2.3 million (does not consider a corresponding reduction in duration as discussed above).

These sensitivities are hypothetical and are based on scenarios where they are "stressed" and should be used with caution. These estimates do not include all of the interplay among assumptions and are estimated as a portfolio rather than as individual assets.

Due to the less observable nature of these inputs, the Company categorizes ARS in Level 3 of the fair value hierarchy. As of June 30, 2017, the Company had a valuation adjustment (unrealized loss) of $2.1 million for ARS owned which is included as a reduction to securities owned on the condensed consolidated balance sheet. As of June 30, 2017, the Company also had a valuation adjustment of $254,000 on ARS purchase commitments from settlements with the Regulators and legal settlements and awards which is included in accounts payable and other liabilities on the condensed consolidated balance sheet. The total valuation adjustment was $2.3 million as of June 30, 2017. The valuation adjustment represents the difference between the principal value and the fair value of the ARS owned and ARS purchase commitments.

Investments

In its role as general partner in certain hedge funds and private equity funds, the Company, through its subsidiaries, holds direct investments in such funds. The Company uses the net asset value of the underlying fund as a basis for estimating the fair value of its investment.

The following table provides information about the Company's investments in Company-sponsored funds as of June 30, 2017:

(Expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds [(1)]	$ 2,783	$ —	Quarterly - Annually	30 - 120 Days
Private equity funds [(2)]	4,658	1,251	N/A	N/A
	$ 7,441	$ 1,251		

(1) Includes investments in hedge funds and hedge fund of funds that pursue long/short, event-driven, and activist strategies. Each hedge fund has various restrictions regarding redemption; no investment is locked-up for a period greater than one year.

(2) Includes private equity funds and private equity fund of funds with a focus on diversified portfolios, real estate and global natural resources. Due to the illiquid nature of these funds, investors are not permitted to make withdrawals without the consent of the general partner. The lock-up period of the private equity funds can extend to 10 years.

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Valuation Process

The Company's Finance & Accounting ("F&A") group is responsible for the Company's fair value policies, processes and procedures. F&A is independent from the business units and trading desks and is headed by the Company's Chief Financial Officer ("CFO"), who has final authority over the valuation of the Company's financial instruments. The Finance Control Group ("FCG") within F&A is responsible for daily profit and loss reporting, front-end trading system position reconciliations, monthly profit and loss reporting, and independent price verification procedures.

For financial instruments categorized in Levels 1 and 2 of the fair value hierarchy, the FCG performs a monthly independent price verification to determine the reasonableness of the prices provided by the Company's independent pricing vendor. The FCG uses its third-party pricing vendor, executed transactions, and broker-dealer quotes for validating the fair values of financial instruments.

For financial instruments categorized in Level 3 of the fair value hierarchy measured on a recurring basis, primarily for ARS, a group comprised of the CFO, the Controller, and an Operations Director are responsible for the ARS valuation model and resulting fair valuations. Procedures performed include aggregating all ARS owned by type from firm inventory accounts and ARS purchase commitments from regulatory and legal settlements and awards provided by the Legal Department. Observable and unobservable inputs are aggregated from various sources and entered into the ARS valuation model. For unobservable inputs, the group reviews the appropriateness of the inputs to ensure consistency with how a market participant would arrive at the unobservable input. For example, for the duration assumption, the group would consider recent policy statements regarding short-term interest rates by the Federal Reserve and recent ARS issuer redemptions and announcements for future redemptions. The model output is reviewed for reasonableness and consistency. Where available, comparisons are performed between ARS owned or committed to purchase to ARS that are trading in the secondary market.

Assets and Liabilities Measured at Fair Value

The Company's assets and liabilities, recorded at fair value on a recurring basis as of June 30, 2017 and December 31, 2016, have been categorized based upon the above fair value hierarchy as follows:

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Assets and liabilities measured at fair value on a recurring basis as of June 30, 2017
(Expressed in thousands)

	Fair Value Measurements as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$75,462	$—	$—	$75,462
Deposits with clearing organizations	27,386	—	—	27,386
Securities owned:				
U.S. Treasury securities [1]	583,656	—		583,656
U.S. Agency securities	1,742	12,169	—	13,911
Sovereign obligations	—	20,561	—	20,561
Corporate debt and other obligations	—	34,051	—	34,051
Mortgage and other asset-backed securities	—	4,562	—	4,562
Municipal obligations	—	141,960	36	141,996
Convertible bonds	—	45,034	—	45,034
Corporate equities	35,473	—	—	35,473
Money markets	578	—	—	578
Auction rate securities	—	—	107,170	107,170
Securities owned, at fair value	621,449	258,337	107,206	986,992
Investments [2]	—	—	168	168
Securities purchased under agreements to resell [3]	—	3,617	—	3,617
Derivative contracts:				
TBAs	—	2,901	—	2,901
Total	$724,297	$264,855	$107,374	$1,096,526
Liabilities				
Securities sold but not yet purchased:				
U.S. Treasury securities	$142,877	$—	$—	$142,877
U.S. Agency securities	—	6	—	6
Sovereign obligations	—	16,653	—	16,653
Corporate debt and other obligations	—	19,306	—	19,306
Mortgage and other asset-backed securities	—	2,134	—	2,134
Convertible bonds	—	16,456	—	16,456
Corporate equities	37,346	—	—	37,346
Securities sold but not yet purchased, at fair value	180,223	54,555	—	234,778
Derivative contracts:				
Futures	853	—	—	853
Foreign exchange forward contracts	8	—	—	8
TBAs	—	3,015	—	3,015
ARS purchase commitments	—	—	254	254
Derivative contracts, total	861	3,015	254	4,130
Total	$181,084	$57,570	$254	$238,908

(1) $560,000 is included in other assets on the condensed consolidated balance sheet.
(2) Included in other assets on the condensed consolidated balance sheet.
(3) Included in securities purchased under agreements to resell on the condensed consolidated balance sheet where the Company has elected fair value option treatment.

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Assets and liabilities measured at fair value on a recurring basis as of December 31, 2016
(Expressed in thousands)

	Fair Value Measurements as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$16,242	$—	$—	$16,242
Deposits with clearing organizations	26,437	—	—	26,437
Securities owned:				
U.S. Treasury securities (1)	418,888	—	—	418,888
U.S. Agency securities	5,878	32,391	—	38,269
Sovereign obligations	—	1,894	—	1,894
Corporate debt and other obligations	—	17,074	—	17,074
Mortgage and other asset-backed securities	—	5,024	—	5,024
Municipal obligations	—	56,706	44	56,750
Convertible bonds	—	56,480	—	56,480
Corporate equities	31,174	—	—	31,174
Money markets	189	—	—	189
Auction rate securities	—	—	84,926	84,926
Securities owned, at fair value	456,129	169,569	84,970	710,668
Investments (2)	—	—	158	158
Securities purchased under agreements to resell (3)	—	24,006	—	24,006
Derivative contracts:				
TBAs	—	814	—	814
ARS purchase commitments	—	—	849	849
Derivative contracts, total	—	814	849	1,663
Total	$498,808	$194,389	$85,977	$779,174
Liabilities				
Securities sold but not yet purchased:				
U.S. Treasury securities	$28,662	$—	$—	$28,662
U.S. Agency securities	—	12	—	12
Corporate debt and other obligations	—	2,536	—	2,536
Mortgage and other asset-backed securities	—	31	—	31
Municipal obligations	—	516	—	516
Convertible bonds	—	11,604	—	11,604
Corporate equities	41,689	—	—	41,689
Securities sold but not yet purchased, at fair value	70,351	14,699	—	85,050
Derivative contracts:				
Futures	166	—	—	166
Foreign exchange forward contracts	1	—	—	1
TBAs	—	1,212	—	1,212
ARS purchase commitments	—	—	645	645
Derivative contracts, total	167	1,212	645	2,024
Total	$70,518	$15,911	$645	$87,074

(1) $3.6 million is included in other assets on the condensed consolidated balance sheet.
(2) Included in other assets on the condensed consolidated balance sheet.
(3) Included in securities purchased under agreements to resell on the condensed consolidated balance sheet where the Company has elected fair value option treatment.

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There were no transfers between any of the levels in the three and six months ended June 30, 2017.

The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended June 30, 2017 and 2016:

(Expressed in thousands)

Level 3 Assets and Liabilities For the Three Months Ended June 30, 2017	Beginning Balance	Total Realized and Unrealized Gains (Losses) (3)(4)	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
Assets						
Municipal obligations	$36	$ —	$ —	$ —	$ —	$ 36
Auction rate securities (1)	89,743	502	17,050	(125)	—	107,170
Investments	164	4	—	—	—	168
ARS purchase commitments (2)	878	(878)	—	—	—	—
Liabilities						
ARS purchase commitments (2)	359	105	—	—	—	254

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.

(2) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.

(3) Included in principal transactions in the condensed consolidated statement of operations, except for investments which are included in other income in the condensed consolidated statement of operations.

(4) Unrealized gains (losses) are attributable to assets or liabilities that are still held at the reporting date.

(Expressed in thousands)

Level 3 Assets and Liabilities For the Three Months Ended June 30, 2016	Beginning Balance	Total Realized and Unrealized Gains (Losses) (4)(5)	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
Assets						
Municipal obligations	$85	$ 2	$ —	$ (62)	$ —	$ 25
Auction rate securities (1)	84,185	1,341	5,000	(1,425)	—	89,101
Interest rate lock commitments (2)	14,024	(571)	—	—	—	13,453
Investments	161	(3)	—	—	—	158
ARS purchase commitments (3)	1,540	(629)	—	—	—	911
Liabilities						
ARS purchase commitments (3)	559	417	—	—	—	142

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.

(2) Interest rate lock commitment assets and liabilities are recorded upon the commitment to originate a loan with a borrower and sell the loan to an investor. The commitment assets and liabilities are recognized at fair value, which reflects the fair value of the contractual loan origination-related fees and sale premiums, net of co-broker fees, and the estimated fair value of the expected net future cash flows associated with the servicing of the loan.

(3) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.

(4) Included in principal transactions on the condensed consolidated statement of operations, except for investments which are included in other income on the condensed consolidated statement of operations.

(5) Unrealized gains (losses) are attributable to assets or liabilities that are still held at the reporting date.

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The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the six months ended June 30, 2017 and 2016:

(Expressed in thousands)

	Level 3 Assets and Liabilities For the Six Months Ended June 30, 2017					
	Beginning Balance	Total Realized and Unrealized Gains (Losses)[3][4]	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
Assets						
Municipal obligations	$44	$ (8)	$ —	$ —	$ —	$ 36
Auction rate securities [1]	84,926	1,144	22,050	(950)	—	107,170
Investments	158	10	—	—	—	168
ARS purchase commitments [2]	849	(849)	—	—	—	—
Liabilities						
ARS purchase commitments [2]	645	391	—	—	—	254

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.

(2) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.

(3) Included in principal transactions in the condensed consolidated statement of operations, except for investments which are included in other income in the condensed consolidated statement of operations.

(4) Unrealized gains are attributable to assets or liabilities that are still held at the reporting date.

(Expressed in thousands)

	Level 3 Assets and Liabilities For the Six Months Ended June 30, 2016					
	Beginning Balance	Total Realized and Unrealized Gains[4][5]	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
Assets						
Municipal obligations	$81	$ 6	$ —	$ (62)	$ —	$ 25
Auction rate securities [1]	86,802	3,574	11,775	(13,050)	—	89,101
Interest rate lock commitments [2]	9,161	4,292	—	—	—	13,453
Investments	157	1	—	—	—	158
ARS purchase commitments [3]	—	911	—	—	—	911
Liabilities						
Interest rate lock commitments [2]	923	923	—	—	—	—
ARS purchase commitments [3]	1,369	1,227	—	—	—	142

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.

(2) Interest rate lock commitment assets and liabilities are recorded upon the commitment to originate a loan with a borrower and sell the loan to an investor. The commitment assets and liabilities are recognized at fair value, which reflects the fair value of the contractual loan origination related fees and sale premiums, net of co-broker fees, and

the estimated fair value of the expected net future cash flows associated with the servicing of the loan.

(3) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.

(4) Included in principal transactions on the condensed consolidated statement of operations, except for investments which are included in other income on the condensed consolidated statement of operations.

(5) Unrealized gains are attributable to assets or liabilities that are still held at the reporting date.

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Financial Instruments Not Measured at Fair Value

The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value on the condensed consolidated balance sheets. The table below excludes non-financial assets and liabilities (e.g., furniture, equipment and leasehold improvements and accrued compensation).

The carrying value of financial instruments not measured at fair value categorized in the fair value hierarchy as Level 1 or Level 2 (e.g., cash and receivables from customers) approximates fair value because of the relatively short term nature of the underlying assets. The fair value of the Company's Senior Secured Notes, categorized in Level 2 of the fair value hierarchy, is based on quoted prices from the market in which the Notes trade.

Assets and liabilities not measured at fair value as of June 30, 2017

(Expressed in thousands)

		Fair Value Measurement: Assets			
	Carrying Value	Level 1	Level 2	Level 3	Total
Cash	$ 41,120	$41,120	$ —	$ —	$41,120
Deposits with clearing organization	13,299	13,299	—	—	13,299
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	158,454	—	158,454	—	158,454
Receivables from brokers	25,095	—	25,095	—	25,095
Securities failed to deliver	15,147	—	15,147	—	15,147
Clearing organizations	22,700	—	22,700	—	22,700
Other	3,310	—	3,310	—	3,310
	224,706	—	224,706	—	224,706
Receivable from customers	873,815	—	873,815	—	873,815
Securities purchased under agreements to resell	1,235	1,235	—	—	1,235
Investments (1)	60,131	—	60,131	—	60,131

(1) Included in other assets on the condensed consolidated balance sheet.

(Expressed in thousands)

		Fair Value Measurement: Liabilities			
	Carrying Value	Level 1	Level 2	Level 3	Total
Drafts payable	$ 29,767	$29,767	$ —	$ —	$29,767
Bank call loans	230,400	—	230,400	—	230,400
Payables to brokers, dealers and clearing organizations:					
Securities loaned	141,654	—	141,654	—	141,654
Payable to brokers	17,976	—	17,976	—	17,976
Securities failed to receive	34,421	—	34,421	—	34,421
Other	45,527	—	45,527	—	45,527
	239,578	—	239,578	—	239,578
Payables to customers	498,562	—	498,562	—	498,562
Securities sold under agreements to repurchase	457,809	—	457,809	—	457,809
Senior secured notes	200,000	—	200,042	—	200,042

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Assets and liabilities not measured at fair value as of December 31, 2016
(Expressed in thousands)

		Fair Value Measurement: Assets			
	Carrying Value	Level 1	Level 2	Level 3	Total
Cash	$ 48,671	$48,671	$ —	$ —	$48,671
Deposits with clearing organization	11,748	11,748	—	—	11,748
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	154,090	—	154,090	—	154,090
Receivables from brokers	25,768	—	25,768	—	25,768
Securities failed to deliver	6,172	—	6,172	—	6,172
Clearing organizations	26,081	—	26,081	—	26,081
Other	2,823	—	2,823	—	2,823
	214,934	—	214,934	—	214,934
Receivable from customers	847,386	—	847,386	—	847,386
Investments (1)	56,300	—	56,300	—	56,300

(1) Included in other assets on the condensed consolidated balance sheet.

(Expressed in thousands)

		Fair Value Measurement: Liabilities			
	Carrying Value	Level 1	Level 2	Level 3	Total
Drafts payable	$ 39,228	$39,228	$ —	$ —	$39,228
Bank call loans	145,800	—	145,800	—	145,800
Payables to brokers, dealers and clearing organizations:					
Securities loaned	179,875	—	179,875	—	179,875
Payable to brokers	610	—	610	—	610
Securities failed to receive	11,523	—	11,523	—	11,523
Other	29,381	—	29,381	—	29,381
	221,389	—	221,389	—	221,389
Payables to customers	449,946	—	449,946	—	449,946
Securities sold under agreements to repurchase	378,084	—	378,084	—	378,084
Senior secured notes	150,000	—	151,782	—	151,782

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Fair Value Option

The Company elected the fair value option for securities sold under agreements to repurchase ("repurchase agreements") and securities purchased under agreements to resell ("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 mismatch in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. As of June 30, 2017, the fair values of the reverse repurchase agreements and repurchase agreements for which the fair value option was elected were $3.6 million and $nil, respectively.

Derivative Instruments and Hedging Activities

The Company transacts, on a limited basis, in exchange traded and over-the-counter derivatives for both asset and liability management as well as for trading and investment purposes. Risks managed using derivative instruments include interest rate risk and, to a lesser extent, foreign exchange risk. All derivative instruments are measured at fair value and are recognized as either assets or liabilities on the condensed consolidated balance sheet.

Foreign exchange hedges

From time to time, the Company also utilizes forward and options contracts to hedge the foreign currency risk associated with compensation obligations to Oppenheimer Israel (OPCO) Ltd. employees denominated in New Israeli Shekel ("NIS"). Such hedges have not been designated as accounting hedges. Unrealized gains and losses on foreign exchange forward contracts are recorded in other assets on the condensed consolidated balance sheet and other income in the condensed consolidated statement of operations.

Derivatives used for trading and investment purposes

Futures contracts represent commitments to purchase or sell securities or other commodities at a future date and at a specified price. Market risk exists with respect to these instruments. Notional or contractual amounts are used to express the volume of these transactions and do not represent the amounts potentially subject to market risk. The futures contracts the Company used include U.S. Treasury notes, Federal Funds, General Collateral futures and Eurodollar contracts which are used primarily as an economic hedge of interest rate risk associated with government trading activities. Unrealized gains and losses on futures contracts are recorded on the condensed consolidated balance sheet in payable to brokers, dealers and clearing organizations and in the condensed consolidated statement of operations as principal transactions revenue, net.

To-be-announced securities

The Company also transacts in pass-through mortgage-backed securities eligible to be sold in the TBA market as economic hedges against mortgage-backed securities that it owns or has sold but not yet purchased. TBAs provide for the forward or delayed delivery of the underlying instrument with settlement up to 180 days. The contractual or notional amounts related to these financial instruments reflect the volume of activity and do not reflect the amounts at risk. Unrealized gains and losses on TBAs are recorded on the condensed consolidated balance sheet in receivable from brokers, dealers and clearing organizations and payable to brokers, dealers and clearing organizations, respectively, and in the condensed consolidated statement of operations as principal transactions revenue, net.

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The notional amounts and fair values of the Company's derivatives as of June 30, 2017 and December 31, 2016 by product were as follows:
(Expressed in thousands)

	Fair Value of Derivative Instruments as of June 30, 2017		
	Description	Notional	Fair Value
Assets:			
Derivatives not designated as hedging instruments (1)			
Other contracts	TBAs	$314,255	$ 1,257
	TBA sale contracts	62,358	1,644
	Forward start reverse repurchase agreements	129,000	—
		$505,613	$ 2,901
Liabilities:			
Derivatives not designated as hedging instruments (1)			
Commodity contracts	Futures	$3,702,000	$ 853
Other contracts	Foreign exchange forward contracts	400	8
	TBAs	309,555	1,180
	TBA purchase contracts	62,358	1,835
	Forward start repurchase agreements	574,000	—
	ARS purchase commitments	14,964	254
		$4,663,277	$ 4,130

(1) See "Derivative Instruments and Hedging Activities" above for description of derivative financial instruments. Such derivative instruments are not subject to master netting agreements, thus the related amounts are not offset.

(Expressed in thousands)

	Fair Value of Derivative Instruments as of December 31, 2016		
	Description	Notional	Fair Value
Assets:			
Derivatives not designated as hedging instruments (1)			
Other contracts	TBAs	$169,500	$ 332
	TBA sale contracts	121,573	482
	ARS purchase commitments	6,654	849
		$297,727	$ 1,663
Liabilities:			
Derivatives not designated as hedging instruments (1)			
Commodity contracts	Futures	$4,059,000	$ 166
Other contracts	Foreign exchange forward contracts	200	1
	TBAs	169,500	289
	TBA purchase contracts	121,573	923
	Forward start repurchase agreements	382,000	—
	ARS purchase commitments	24,358	645
		$4,756,631	$ 2,024

(1) See "Derivative Instruments and Hedging Activities" above for description of derivative financial instruments. Such derivative instruments are not subject to master netting agreements, thus the related amounts are not offset.

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The following table presents the location and fair value amounts of the Company's derivative instruments and their effect in the condensed consolidated statements of operations for the three months ended June 30, 2017 and 2016:

(Expressed in thousands)

	The Effect of Derivative Instruments in the Statement of Operations For the Three Months Ended June 30, 2017		
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ (8)
Other contracts	Foreign exchange forward contracts	Other revenue	8
	TBAs	Principal transactions revenue	204
	TBA sale contracts	Other revenue	(1,644)
	TBA purchase contracts	Other revenue	1,835
	ARS purchase commitments	Principal transactions revenue	(773)
			$ (378)

(Expressed in thousands)

	The Effect of Derivative Instruments in the Statement of Operations For the Three Months Ended June 30, 2016		
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Loss
Commodity contracts	Futures	Principal transactions revenue	$(1,306)
Other contracts	Foreign exchange forward contracts	Other revenue	(6)
	TBAs	Principal transactions revenue	(4)
	TBA sale contracts	Other revenue	(228)
	Interest rate lock commitments	Other revenue	(571)
	ARS purchase commitments	Principal transactions revenue	(212)
			$(2,327)

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The following table presents the location and fair value amounts of the Company's derivative instruments and their effect on the condensed consolidated statements of operations for the six months ended June 30, 2017 and 2016:
(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations
For the Six Months Ended June 30, 2017

		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ 234
Other contracts	Foreign exchange forward contracts	Other revenue	12
	TBAs	Principal transactions revenue	77
	TBA sale contracts	Other revenue	(1,860)
	TBA purchase contracts	Other revenue	2,371
	ARS purchase commitments	Principal transactions revenue	(458)
			$ 376

(Expressed in thousands)

The Effect of Derivative Instruments in the Statement of Operations
For the Six Months Ended June 30, 2016

		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ (3,061)
Other contracts	Foreign exchange forward contracts	Other revenue	11
	TBAs	Principal transactions revenue	(13)
	TBA sale contracts	Other revenue	(8,129)
	Interest rate lock commitments	Other revenue	5,215
	ARS purchase commitments	Principal transactions revenue	2,138
			$ (3,839)

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7. Collateralized transactions

The Company enters into collateralized borrowing and lending transactions in order to meet customers' needs and earn residual interest rate spreads, obtain securities for settlement and finance trading inventory positions. Under these transactions, the Company either receives or provides collateral, including U.S. Government and Agency, asset-backed, corporate debt, equity, and non-U.S. Government and Agency securities.

The Company obtains short-term borrowings primarily through bank call loans. Bank call loans are generally payable on demand and bear interest at various rates but not exceeding the broker call rate. As of June 30, 2017, bank call loans were $230.4 million ($145.8 million as of December 31, 2016). As of June 30, 2017, such loans were collateralized by firm and customer securities with market values of approximately $168.1 million and $242.3 million, respectively, with commercial banks.

As of June 30, 2017, the Company had approximately $1.2 billion of customer securities under customer margin loans that are available to be pledged, of which the Company has re-pledged approximately $114.8 million under securities loan agreements.

As of June 30, 2017, the Company had pledged $235.8 million of customer securities directly with the Options Clearing Corporation to secure obligations and margin requirements under option contracts written by customers.

As of June 30, 2017, the Company had no outstanding letters of credit.

The Company enters into reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions to, among other things, acquire securities to cover short positions and settle other securities obligations, to accommodate customers' needs and to finance the Company's inventory positions. Except as described below, repurchase and reverse repurchase agreements, principally involving government and agency securities, are carried at amounts at which the securities subsequently will be resold or reacquired as specified in the respective agreements and include accrued interest. Repurchase and reverse repurchase agreements are presented on a net-by-counterparty basis, when the repurchase and reverse repurchase agreements are executed with the same counterparty, have the same explicit settlement date, are executed in accordance with a master netting arrangement, the securities underlying the repurchase and reverse repurchase agreements exist in "book entry" form and certain other requirements are met.

The following table presents a disaggregation of the gross obligation by the class of collateral pledged and the remaining contractual maturity of the repurchase agreements and securities loaned transactions as of June 30, 2017:

(Expressed in thousands)

	Overnight and Open
Repurchase agreements:	
U.S. Treasury and Agency securities	$586,507
Securities loaned:	
Equity securities	141,654
Gross amount of recognized liabilities for repurchase agreements and securities loaned	$728,161

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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 June 30, 2017 and December 31, 2016:

As of June 30, 2017

(Expressed in thousands)

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet: Financial Instruments	Gross Amounts Not Offset on the Balance Sheet: Cash Collateral Received	Net Amount
Reverse repurchase agreements	$ 133,550	$ (128,698)	$ 4,852	$ (3,617)	$ —	$ 1,235
Securities borrowed [1]	158,454	—	158,454	(154,775)	—	3,679
Total	$ 292,004	$ (128,698)	$ 163,306	$ (158,392)	$ —	$ 4,914

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

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet: Financial Instruments	Gross Amounts Not Offset on the Balance Sheet: Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 586,507	$ (128,698)	$ 457,809	$ (453,168)	$ —	$ 4,641
Securities loaned [2]	141,654	—	141,654	(134,419)	—	7,235
Total	$ 728,161	$ (128,698)	$ 599,463	$ (587,587)	$ —	$ 11,876

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

As of December 31, 2016

(Expressed in thousands)

	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Gross Amounts Not Offset on the Balance Sheet: Financial Instruments	Gross Amounts Not Offset on the Balance Sheet: Cash Collateral Received	Net Amount
Reverse repurchase agreements	$ 24,006	$ —	$ 24,006	$ (23,972)	$ —	$ 34
Securities borrowed [1]	154,090	—	154,090	(150,510)	—	3,580
Total	$ 178,096	$ —	$ 178,096	$ (174,482)	$ —	$ 3,614

(1) Included in receivable from brokers, dealers and clearing organizations on the condensed 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	$ 378,084	$ —	$ 378,084	$ (376,273)	$ —	$ 1,811
Securities loaned (2)	179,875	—	179,875	(171,991)	—	7,884
Total	$ 557,959	$ —	$ 557,959	$ (548,264)	$ —	$ 9,695

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

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. As of June 30, 2017, the fair values of the reverse repurchase agreements and repurchase agreements for which the fair value option was elected were $3.6 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). As of June 30, 2017, the fair value of securities received as collateral under securities borrowed transactions and reverse repurchase agreements was $153.3 million ($148.7 million as of December 31, 2016) and $133.2 million ($24.0 million as of December 31, 2016), respectively, of which the Company has sold and re-pledged approximately $20.9 million ($37.4 million as of December 31, 2016) under securities loaned transactions and $133.2 million under repurchase agreements ($24.0 million as of December 31, 2016).

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 $644.4 million, as presented on the face of the condensed consolidated balance sheet as of June 30, 2017 ($438.4 million as of December 31, 2016). 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 $168.1 million as of June 30, 2017 ($138.6 million as of December 31, 2016).

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 securities 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.

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 June 30, 2017 are receivables from three major U.S. broker-dealers totaling approximately $79.4 million.

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, the Fixed Income Clearing Corporation ("FICC"), R.J. O'Brien & Associates (commodities transactions), Mortgage-Backed Securities and Clearing Corporation (a division of FICC) and others. With respect to its business in reverse repurchase and repurchase agreements, substantially all open contracts as of June 30, 2017 are with the FICC. In addition, the Company clears its non-U.S. international equities business carried on by Oppenheimer Europe Ltd. through BNP Paribas Securities Services. 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. As of June 30, 2017, 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.

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8. 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.

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 condensed 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 as of June 30, 2017 and December 31, 2016:

(Expressed in thousands)

	As of June 30, 2017				
	Total	Carrying Value of the Company's Variable Interest		Capital	Maximum Exposure to Loss in
	VIE Assets (1)	Assets (2)	Liabilities	Commitments	Non-consolidated VIEs
Hedge funds	$320,081	$ 740	$ —	$ —	$ 740
Private equity funds	21,300	12	—	2	14
Total	$341,381	$ 752			