

Freedom Investments, Inc.

Statement of Financial Condition

June 30, 2011

(Unaudited)

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Assets

Cash and cash equivalents	\$	4,371,661
Cash and securities segregated under Federal and other regulations		14,955,361
Receivable from customers		355,365
Securities owned, at fair value		104,940
Due from Parent		213,526
Office facilities, net		49,338
Deferred taxes		147,590
Other assets		125,403
Total assets	\$	<u>20,323,184</u>

Liabilities and Stockholder's Equity

Payable to customers	\$	14,076,414
Due to Parent		118,511
Securities sold, not yet purchased, at fair value		116
Income taxes payable		1,818
Accrued expenses and other liabilities		660,525
Total liabilities		<u>14,857,384</u>

Commitments and contingencies (Notes 6 and 9)

Stockholder's Equity

Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding		1,000
Additional paid-in capital		4,716,394
Retained earnings		748,406
Total stockholder's equity		<u>5,465,800</u>
Total liabilities and stockholder's equity	\$	<u>20,323,184</u>

The accompanying notes are an integral part of this financial statement.

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1. Organization

Freedom Investments, Inc. (the "Company"), a Delaware Corporation, was organized in November 1994 and is a registered broker-dealer under the Securities Exchange Act of 1934. The Company is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company provides on-line equity investing as well as discount brokerage services to individual investors throughout the United States.

The Company is a wholly owned subsidiary of Oppenheimer & Co. Inc. ("the Parent") whose ultimate parent is Oppenheimer Holdings Inc., a Delaware public corporation.

2. Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Cash and cash equivalents consist of cash of \$2,642,974 held with one financial institution and money market funds of \$1,728,687. The Company defines cash equivalents as highly liquid investments with original maturities of less than 90 days that are not held for sale in the ordinary course of business.

Receivable from customers are primarily comprised of balances due to the Company for customer investing plans. Payable to customers are primarily comprised of balances related to customer cash transactions.

Securities owned and securities sold, not yet purchased are recorded on a trade date basis, and are recorded at fair value. The Company's securities owned and securities sold not yet purchased are comprised of equity securities, valued based on quoted prices and therefore classified as Level 1 within the fair value hierarchy. All securities transactions are cleared through the Parent.

Customers' securities and transactions are reported on a settlement date basis which is generally three business days after trade date. Related commission income and expenses are recorded on a trade date basis.

3. Cash and Securities Segregated Under Federal and Other Regulations

Cash of \$11,955,401 and U.S. Treasury bills with a fair value of \$2,999,960 were held at June 30, 2011 in a special reserve bank account for the exclusive benefit of customers in accordance with regulatory requirements.

4. Office Facilities

The components of office facilities at June 30, 2011 are as follows:

Leasehold improvements	\$ 64,957
Accumulated amortization	<u>(15,619)</u>
	<u>\$ 49,338</u>

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5. Net Capital Requirement

As a registered broker-dealer, the Company is subject to the Securities and Exchange Commission's Uniform Net Capital Rule 15c3-1, which requires that net capital, as defined, shall be the greater of \$250,000, or of 6-2/3% of aggregate indebtedness, as defined. At June 30, 2011, the Company had net capital of \$4,853,701, which exceeded minimum capital requirements by \$4,603,751.

6. Commitments

The Company leases office space expiring in 2015.

Future minimum rental commitments under such operating leases are as follows:

2011	\$	180,332
2012		353,927
2013		330,924
2014		332,704
2015		322,918
		<u>1,520,805</u>

Certain leases contain escalation clauses.

7. Financial Instruments with Off-balance Sheet Risk

Securities sold, but not yet purchased represent obligations of the Company to deliver the specified security at the contracted price and thereby create a liability to repurchase the security in the market at prevailing prices. Accordingly, these transactions result in off-balance-sheet risk, as the Company's ultimate obligation to satisfy the sale of securities sold, but not yet purchased may exceed the amount recognized in the statement of financial condition. Securities positions are monitored on a daily basis.

8. Income Taxes

The Company is included in the Oppenheimer Holdings, Inc. consolidated U.S. Federal income tax return and files a separate state income tax return. The provision for income tax is computed on a separate company basis.

Deferred income taxes are temporary differences between the financial reporting and tax basis of the Company's assets and liabilities. The deferred tax assets result from temporary differences related to the differences in reserve for bad debt and deferred fees. Valuation allowances are established to reduce deferred tax assets to the amount that more likely than not will be realized.

Management has evaluated its tax positions for the period ended June 30, 2011 and determined that it has no uncertain tax positions requiring financial statement recognition.

9. Related Party Transactions

The Company has a clearing agreement with the Parent to clear its security transactions on both a fully disclosed and omnibus basis. In the event a fully disclosed customer is unable to fulfill its contractual obligation to the Parent, the Company may be exposed to off-balance sheet risk.

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Pursuant to the terms of the agreements between the Company and the Parent, the Parent has the right to charge the Company for losses that result from a counterparty's failure to fulfill its contractual obligations. As the right to charge the Company has no maximum amount and applies to all trades executed through the Parent, the Company believes there is no maximum amount assignable to this right. At June 30, 2011, the Company has recorded no liabilities with regard to the right. In addition, the Company has the right to pursue collection or performance from the counterparties who do not perform under their contractual obligations.

Cash equivalents of \$1,728,687 and securities owned of \$104,940 are held in the Company's brokerage account with the Parent. The Company is included in the Parents calculation of reserve requirements for the proprietary accounts of introducing brokers.

At June 30, 2011, the Company had an amount due from the Parent of \$213,526 primarily related to dividends earned by the Company's customers. These dividend payments are initially made by the Company to its customers and subsequently reimbursed to the Company by the Parent. The Company also had an amount due to the Parent of \$118,511 primarily related to operational expenses. These expenses are initially paid by the Parent and subsequently reimbursed to the Parent by the Company.

10. Subsequent Events

The Company has performed an evaluation of events that have occurred since June 30, 2011 and determined that there are no events that have occurred that would require recognition or additional disclosure in these financial statements.