

Freedom Investments, Inc.

Statement of Financial Condition

June 30, 2009

(Unaudited)

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Assets

Cash and cash equivalents	\$4,451,654
Cash segregated under Federal and other regulations	11,660,401
Receivable from customers	625,463
Securities owned, at fair value	63,827
Due from Parent	53,754
Other assets	<u>246,144</u>
Total assets	<u>\$17,101,243</u>

Liabilities and Stockholder's Equity

Payable to customers	\$11,184,241
Securities sold, but not yet purchased, at fair value	108
Income taxes payable	295,039
Accrued expenses and other liabilities	<u>563,658</u>
Total liabilities	<u>12,043,046</u>

Commitments and contingencies (Notes 4 and 7)

Stockholder's Equity

Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding	1,000
Additional paid-in capital	5,057,197
Retained earnings	<u>-</u>
Total stockholder's equity	<u>5,058,197</u>
Total liabilities and stockholder's equity	<u>\$17,101,243</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 (“Holdings”).

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 \$1,984,224 held with one financial institution and money market funds of \$2,467,430. 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 is primarily comprised of balances due to the Company for customer investing plans. Payable to customers is 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 valued at fair value. 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.

3. Financial Instruments

Fair Value Measurements

Effective January 1, 2008, the Company adopted the provisions of Statement of Financial Standards No. 157 SFAS No.157, “*Fair Value Measurements*” (SFAS 157) which defines fair value, establishes a framework for measuring fair value, establishes a fair value measurement hierarchy, and expands fair value measurement disclosures. Fair value, as defined by SFAS 157, is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy established by SFAS 157 prioritizes the inputs used in valuation techniques into the following three categories (highest to lowest priority):

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Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Unobservable inputs

The Company's securities owned are recorded at fair value and are classified within level 1 within the fair value hierarchy using quoted market prices or quotes from market makers or broker-dealers.

4. 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 at least the greater of \$250,000 or of 6-2/3% of aggregate indebtedness, as defined. At June 30, 2009, the Company had net capital of \$4,578,131, which exceeded minimum capital requirements by \$4,328,131.

At June 30, 2009, Freedom had \$11,660,401 of cash and securities segregated under Federal and other regulations.

5. Commitments

The Company leases office space through 2010. Future minimum rental commitments under such operating leases are as follows:

Period ending December 31,

2009	\$176,136
2010	<u>205,492</u>
	<u>\$381,628</u>

6. Financial Instruments with Off-Balance-Sheet Risk and Concentration of 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.

7. Income Taxes

The Company is included in Holding's consolidated U.S. Federal income tax return and files a separate state income tax return. Its income tax provision is computed on a separate company basis. Deferred income taxes are provided for under the provisions of SFAS No. 109, *Accounting for*

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Income Taxes, which requires the establishment of deferred amounts for temporary differences between the financial reporting and tax basis of the Company's assets and liabilities. The deferred tax assets result from temporary 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.

Deferred tax assets of \$135,070 are included in other assets in the statement of financial condition as at June 30, 2009.

8. 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. 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, 2009, 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.

In addition as at June 30, 2009, approximately \$2,467,430 of cash and cash equivalents and \$63,827 of securities owned are held in its brokerage account with the Parent.

At June 30, 2009, the Company had a net due from the Parent of \$53,754 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 Statement of Financial Condition has been prepared in accordance with SEC Rule 17a-5. Copies of this document are available at www.freedominvestments.com.