

GREENHILL & CO INC  
Form 10-Q  
August 02, 2007  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2007

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 001-32147

Greenhill & Co., Inc.

(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)  
300 Park Avenue, 23rd Floor  
New York, New York  
(Address of principal executive offices)  
Registrant's telephone number (212) 389-1500

51-0500737  
(I.R.S. Employer Identification No.)  
  
10022  
(Zip Code)

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      No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

As of July 26, 2007, there were 27,580,081 shares of the registrant's common stock outstanding.

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AVAILABLE INFORMATION

Greenhill & Co., Inc. files current, annual and quarterly reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with the SEC. You may read and copy any

document we file at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC's internet site at <http://www.sec.gov>. Copies of these reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, U.S.A.

Our public internet site is <http://www.greenhill.com>. We will make available free of charge through our internet site, via a link to the SEC's internet site at <http://www.sec.gov>, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and Forms 3, 4 and 5 filed on behalf of directors and executive officers and any amendments to those reports filed or furnished pursuant to the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Also posted on our website in the "Corporate Governance" section, and available in print upon request of any stockholder to the Investor Relations Department, are charters for the company's Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee, our Corporate Governance Guidelines and Code of Business Conduct and Ethics governing our directors, officers and employees. You will need to have Adobe Acrobat Reader software installed on your computer to view these documents, which are in PDF format.

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### Part I. Financial Information

#### Item 1. Financial Statements

##### Greenhill & Co., Inc. and Subsidiaries

##### Condensed Consolidated Statements of Financial Condition (Unaudited)

	June 30, 2007	As of December 31, 2006
Assets		
Cash and cash equivalents	\$ 80,387,234	\$ 62,386,286
Securities	—	38,753,193
Financial advisory fees receivable, net of allowance for doubtful accounts of \$0.1 million and \$0 million as of June 30, 2007 and December 31, 2006, respectively	51,888,479	21,443,944
Other receivables	3,224,499	2,031,277
Property and equipment, net of accumulated depreciation and amortization of \$30.0 million and \$28.9 million as of June 30, 2007 and December 31, 2006, respectively	14,859,305	14,260,376
Investments	123,091,835	129,431,273
Due from affiliates	1,636,906	708,643
Goodwill	17,691,889	17,691,889
Other assets	11,025,976	11,024,522
Total assets	\$ 303,806,123	\$ 297,731,403
Liabilities and Stockholders' Equity		
Compensation payable	\$ 55,571,553	\$ 64,355,140

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Accounts payable and accrued expenses	4,981,998	6,283,004
Bank loan payable	64,000,000	19,500,000
Taxes payable	39,405,455	48,356,002
Due to affiliates	1,445,044	1,445,044
Total liabilities	165,404,050	139,939,190
Minority interest in net assets of affiliates	2,703,791	2,230,903
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 31,199,969 and 31,034,727 shares issued and outstanding as of June 30, 2007 and December 31, 2006, respectively	312,000	310,345
Restricted stock units	30,095,132	21,205,268
Additional paid-in capital	124,561,744	116,251,930
Exchangeable shares of subsidiary; 257,156 shares issued and outstanding as of June 30, 2007 and December 31, 2006	15,352,213	15,352,213
Retained earnings	148,419,481	112,052,519
Accumulated other comprehensive income	4,260,808	2,896,461
Treasury stock, at cost; 3,621,343 and 2,512,437 shares as of June 30, 2007 and December 31, 2006, respectively	(187,303,096)	(112,507,426)
Stockholders' equity	135,698,282	155,561,310
Total liabilities, minority interest and stockholders' equity	\$ 303,806,123	\$ 297,731,403
See accompanying notes to condensed consolidated financial statements (unaudited).		

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Greenhill & Co., Inc. and Subsidiaries  
Condensed Consolidated Statements of Income (Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues				
Financial advisory fees	\$ 126,916,746	\$ 53,805,027	\$ 163,246,880	\$ 103,120,543
Merchant banking revenue	11,716,656	4,894,220	18,056,525	55,841,349
Interest income	1,960,373	644,857	2,768,371	1,303,183
Total Revenues	140,593,775	59,344,104	184,071,776	160,265,075
Expenses				
Employee compensation and benefits	64,384,474	26,408,125	84,615,729	73,576,399
Occupancy and equipment rental	2,225,157	2,324,013	4,487,030	4,250,239
Depreciation and amortization	1,042,612	622,022	2,038,298	1,192,825
Information services	1,331,473	1,335,528	2,563,187	2,166,352
Professional fees	1,049,434	906,316	1,884,931	1,653,470
Travel related expenses	1,919,609	1,577,849	3,742,818	2,660,877
Other operating expenses	2,110,723	4,396,612	3,799,041	5,740,628
Interest expense	928,997	64,300	1,246,492	116,055
Total Expenses	74,992,479	37,634,765	104,377,526	91,356,845

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Income before Tax and Minority Interest	65,601,296	21,709,339	79,694,250	68,908,230
Minority interest in net income of affiliates	86,828	43,190	124,537	1,662,530
Income before Tax	65,514,468	21,666,149	79,569,713	67,245,700
Provision for taxes	22,786,272	8,388,704	28,121,602	25,757,776
Net Income	\$ 42,728,196	\$ 13,277,445	\$ 51,448,111	\$ 41,487,924
Weighted average shares outstanding:				
Basic	28,970,657	29,494,257	29,201,696	29,545,870
Diluted	29,087,226	29,729,213	29,332,144	29,757,056
Earnings per share				
Basic	\$ 1.47	\$ 0.45	\$ 1.76	\$ 1.40
Diluted	\$ 1.47	\$ 0.45	\$ 1.75	\$ 1.39
Dividends declared and paid per share	\$ 0.25	\$ 0.16	\$ 0.50	\$ 0.32

See accompanying notes to condensed consolidated financial statements (unaudited).

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Greenhill & Co., Inc. and Subsidiaries  
Condensed Consolidated Statements of Changes in  
Stockholders' Equity (Unaudited)

	Six Months Ended June 30, 2007	Year Ended December 31, 2006
Common stock, par value \$0.01 per share		
Common stock, beginning of the year	\$ 310,345	\$ 308,800
Common stock issued	1,655	1,545
Common stock, end of the period	312,000	310,345
Restricted stock units		
Restricted stock units, beginning of the year	21,205,268	8,931,618
Restricted stock units recognized	15,107,982	15,834,888
Restricted stock units delivered	(6,218,118)	(3,561,238)
Restricted stock units, end of the period	30,095,132	21,205,268
Additional paid-in capital		
Additional paid-in capital, beginning of the year	116,251,930	109,961,120
Common stock issued	6,342,172	3,704,731
Tax benefit from the delivery of restricted stock units	1,967,642	2,586,079
Additional paid-in capital, end of the period	124,561,744	116,251,930
Exchangeable shares of subsidiary		
Exchangeable shares of subsidiary, beginning of the year	15,352,213	—
Exchangeable shares of subsidiary issued	—	15,352,213
Exchangeable shares of subsidiary, end of the period	15,352,213	15,352,213
Retained earnings		
Retained earnings, beginning of the year	112,052,519	57,595,530

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Dividends	(15,081,149)	(21,208,956)
Net income	51,448,111	75,665,945
Retained earnings, end of the period	148,419,481	112,052,519
Other comprehensive income		
Other comprehensive income (loss), beginning of the year	2,896,461	(3,025,186)
Currency translation adjustment	1,364,347	5,921,647
Other comprehensive income, end of the period	4,260,808	2,896,461
Treasury stock, at cost		
Treasury stock, beginning of the year	(112,507,426)	(59,056,548)
Repurchased	(74,795,670)	(53,450,878)
Treasury stock, end of the period	(187,303,096)	(112,507,426)
Total stockholders' equity	\$ 135,698,282	\$ 155,561,310
See accompanying notes to condensed consolidated financial statements (unaudited).		

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Greenhill & Co., Inc. and Subsidiaries  
Condensed Consolidated Statements of Cash Flows (Unaudited)

	For the Six Months Ended	
	June 30,	
	2007	2006
Operating activities:		
Net income	\$ 51,448,111	\$ 41,487,924
Adjustments to reconcile net income to net cash provided by operating activities:		
Adjustments to net income:		
Depreciation and amortization	2,038,298	1,192,825
Net realized and unrealized (gains) on investments	(9,972,976)	(48,693,064)
Restricted stock units recognized and common stock issued	15,233,686	8,792,845
Changes in operating assets and liabilities:		
Financial advisory fees receivable	(30,444,535)	(29,209,850)
Due from affiliates	(928,263)	(568,932)
Other receivables and assets	(877,379)	(655,098)
Compensation payable	(8,783,587)	(15,018,919)
Accounts payable and accrued expenses	(1,301,006)	(3,006,451)
Minority interest in net assets of affiliates	472,888	(668,376)
Taxes payable	(8,950,547)	4,389,493
Net cash provided by (used in) operating activities	7,934,690	(41,957,603)
Investing activities:		
Purchase of investments	(31,465,338)	(2,371,115)
Sale of investment	30,053,602	—
Distributions received from investments	17,724,138	59,504,117
Purchase of securities	(5,000,000)	(9,584,895)

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Sale of securities	43,753,193	—
Purchase of property and equipment	(2,954,507)	(6,619,701)
Net cash provided by investing activities	52,111,088	40,928,406
Financing activities:		
Proceeds of revolving bank loan	84,500,000	20,500,000
Repayment of revolving bank loan	(40,000,000)	(17,500,000)
Dividends paid	(15,081,149)	(9,776,185)
Purchase of treasury stock	(74,795,670)	(36,386,714)
Net tax benefit from the delivery of restricted stock units	1,967,642	2,375,291
Net cash used in financing activities	(43,409,177)	(40,787,608)
Effect of exchange rate changes on cash and cash equivalents	1,364,347	2,406,768
Net increase (decrease) in cash and cash equivalents	18,000,948	(39,410,037)
Cash and cash equivalents, beginning of period	62,386,286	83,240,865
Cash and cash equivalents, end of period	\$ 80,387,234	\$ 43,830,828
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,002,459	\$ 46,361
Cash paid for taxes, net of refunds	\$ 35,353,255	\$ 19,266,083
See accompanying notes to condensed consolidated financial statements (unaudited).		

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Note 1 — Organization

Greenhill & Co., Inc., a Delaware corporation, together with its subsidiaries (collectively, the “Company”), is an independent investment banking firm. The Company has clients located throughout the world, with offices located in New York, London, Frankfurt, Toronto and Dallas.

The Company’s activities as an investment banking firm constitute a single business segment, with two principal sources of revenue:

- Financial advisory, which includes advice on mergers, acquisitions, restructurings and similar corporate finance matters; and
- Merchant banking, which includes the management of outside capital invested in the Company’s merchant banking funds, primarily Greenhill Capital Partners (“GCP I”), Greenhill Capital Partners II (“GCP II”), Greenhill Capital Partners Europe (“GCP Europe”) (collectively “GCP”), and Greenhill SAV Partners (“GSAVP”), and the Company’s principal investments in GCP, GSAVP and other merchant banking funds.

The Company’s U.S. and international wholly-owned subsidiaries include Greenhill & Co., LLC (“G&Co”), Greenhill Capital Partners, LLC (“GCPLL”), Greenhill Venture Partners, LLC (“GVP”), Greenhill Aviation Co., LLC (“GAC”), Greenhill & Co. Europe Limited (“GCE”), and Greenhill & Co. Holding Canada Ltd (“GCH”).

G&Co is a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and is registered with the National Association of Securities Dealers, Inc. G&Co is engaged in the investment banking business principally in North America.

GCE is a U.K. based holding company. GCE controls Greenhill & Co. International LLP (“GCI”) and Greenhill Capital Partners Europe LLP (“GCPE”), through its controlling membership interest. GCI is engaged in investment banking activities, principally in Europe, and is subject to regulation by the U.K. Financial Services Authority (“FSA”). GCPE is also regulated by the FSA and provides investment advisory services to GCP Europe, our UK-based private equity fund that invests in a diversified portfolio of private equity and equity related investments in mid-market companies located primarily in the United Kingdom and Continental Europe.

On July 6, 2006, the Company, through a newly formed, wholly-owned Canadian subsidiary, GCH, acquired Beaufort Partners Limited, a Toronto based investment banking firm. The acquired company operates as Greenhill & Co. Canada Ltd.

GCPLLC is a registered investment adviser under the Investment Advisers Act of 1940 (“IAA”). GCPLLC provides investment advisory services to GCP I and GCP II, our U.S.-based private equity funds that invest in a diversified portfolio of private equity and equity related investments. The majority of the investors in GCP are third parties. However, the Company and its employees have also made investments in GCP.

GVP became a registered investment advisor under the IAA in 2007. GVP provides investment advisory services to GSAVP, our venture funds that invest in early growth stage companies in the tech-enabled and business information services industries. The majority of the investors in GSAVP are third parties; however, the Company and employees have also made investments in GSAVP.

GAC owns and operates an aircraft, which is used for the exclusive benefit of the Company’s employees and their immediate family members.

## Note 2 — Summary of Significant Accounting Policies

### Basis of Financial Information

These condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions regarding future events that affect the amounts reported in our financial statements and

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these footnotes, including investment valuations, compensation accruals and other matters. Management believes that the estimates used in preparing its condensed consolidated financial statements are reasonable and prudent. Actual results could differ materially from those estimates.

The condensed consolidated financial statements of the Company include all consolidated accounts of Greenhill & Co., Inc. and all other entities in which the Company has a controlling interest, including GCI, after eliminations of all significant inter-company accounts and transactions. In accordance with revised FASB Interpretation No. 46 (“FIN 46-R”), “Consolidation of Variable Interest Entities,” the Company consolidates the general partners of its merchant banking funds in which it has a majority of the economic interest. The Company does not consolidate the merchant banking funds since the Company, through its general partner and limited partner interests, does not have a majority of the economic interest in such funds and under EITF No. 04-5, “Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights,” is subject to



removal by a simple majority of unaffiliated third-party investors.

These condensed consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2006 filed with the Securities and Exchange Commission. The condensed consolidated financial information as of December 31, 2006 has been derived from audited consolidated financial statements not included herein. The results of operations for interim periods are not necessarily indicative of results for the entire year.

#### Minority Interest

The portion of the consolidated interests in the general partners of our merchant banking funds which are held directly by employees of the Company are represented as minority interest in the accompanying condensed consolidated financial statements.

#### Revenue Recognition

##### Financial Advisory Fees

The Company recognizes advisory fee revenue when the services related to the underlying transactions are completed in accordance with the terms of its engagement letters. Retainer fees are recognized as advisory fee income over the period in which the related service is rendered.

The Company's clients reimburse certain expenses incurred by the Company in the conduct of financial advisory engagements. Expenses are reported net of such client reimbursements. Reimbursed expenses totaled \$1.4 million and \$0.6 million for the three months ended June 30, 2007 and 2006, respectively and \$1.6 million and \$1.7 million for the six months ended June 30, 2007 and 2006, respectively.

##### Merchant Banking Revenues

Merchant banking revenue consists of (i) management fees on the Company's merchant banking activities, (ii) gains (or losses) on investments in the Company's investment in merchant banking funds and other principal investment activities, and (iii) merchant banking profit overrides.

Management fees earned from the Company's merchant banking activities are recognized over the period of related service.

The Company recognizes revenue on investments in its merchant banking funds based on its allocable share of realized and unrealized gains (or losses) reported by such investments.

The Company recognizes merchant banking profit overrides when certain financial returns are achieved over the life of the fund. Profit overrides are calculated as a percentage of the profits over a specified threshold earned by each fund on investments managed on behalf of unaffiliated investors

for GCP I and principally all investors, except the Company, in GCP II, GCP Europe and GSAVP, and are subject to clawback. Future losses (if any) in the value of the funds' investments may require amounts previously recognized as profit overrides to be adjusted downward. Accordingly, merchant banking profit overrides are recognized as revenue only after material contingencies have been resolved. See "Note 3 — Investments" for further discussion of the merchant banking revenues recognized.

#### Investments

The Company's investments in merchant banking funds are recorded at estimated fair value based upon the Company's proportionate share of the changes in the fair value of the underlying merchant banking fund's net assets. The Company's other investments are recorded at estimated fair value.

#### Financial Advisory Fees Receivables

Receivables are stated net of an allowance for doubtful accounts. The estimate for the allowance for doubtful accounts is derived by the Company by utilizing past client transaction history and an assessment of the client's creditworthiness. The Company recorded bad debt expense of approximately \$0.1 million for the six months ended June 30, 2007 and had no bad debt expense for six months ended June 30, 2006.

#### Restricted Stock Units

In accordance with the fair value method prescribed by Statement of Financial Accounting Standards, or SFAS, No. 123(R), "Share-Based Payment", which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation", restricted stock units with future service requirements are recorded as compensation expense and generally is amortized over a five-year service period following the date of grant. Compensation expense is determined at the date of grant. As the Company expenses the awards, the restricted stock units recognized are recorded within stockholders' equity. The Company records dividend equivalents in stockholders' equity on outstanding restricted stock units that are expected to vest.

#### Earnings per Share

The Company calculates earnings per share ("EPS") in accordance with SFAS No. 128, "Earnings per Share." Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS includes the determinants of basic EPS plus the dilutive effect of the common stock deliverable pursuant to restricted stock units for which future service is required as a condition to the delivery of the underlying common stock.

#### Goodwill

Goodwill is the cost of acquired companies in excess of the fair value of identifiable net assets at acquisition date. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is tested at least annually for impairment. An impairment loss is triggered if the estimated fair value of an operating business is less than estimated net book value. Such loss is calculated as the difference between the estimated fair value of goodwill and its carrying value.

#### Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. For assets acquired on or after January 1, 2005, depreciation is computed by the straight-line method over the life of the assets. For assets acquired prior to January 1, 2005, depreciation is computed principally by an accelerated method over the life of the assets. Amortization of leasehold improvements is computed by the straight-line method over the lesser of the life of

the asset or the term of the lease.

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### Provision for Taxes

The Company accounts for taxes in accordance with SFAS No. 109, “Accounting for Income Taxes”, which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax bases of its assets and liabilities. The Company’s deferred tax assets and liabilities are presented as a component of other assets and taxes payable, respectively, on the condensed consolidated statements of financial condition. Tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

Effective on January 1, 2007, the Company adopted FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109” (“FIN 48”), which prescribes a single, comprehensive model for how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on its tax returns. Income tax expense is based on pre-tax accounting income, including adjustments made for the recognition or derecognition related to uncertain tax positions. The recognition or derecognition of income tax expense related to uncertain tax positions is determined under the guidance as prescribed by FIN 48. Deferred tax assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. The Company had no cumulative effect of adopting FIN 48, therefore, no adjustment was recorded to retained earnings upon such adoption.

### Foreign Currency Translation

Foreign currency assets and liabilities have been translated at rates of exchange prevailing at the end of the periods presented. Income and expenses transacted in foreign currency have been translated at average monthly exchange rates during the period. Translation gains and losses are included in the foreign currency translation adjustment included as a component of other comprehensive income in the consolidated statement of changes in stockholders’ equity. Foreign currency transaction gains and losses are included in consolidated net income.

### Cash Equivalents

The Company considers all highly liquid investments with a maturity date of three months or less, when purchased, to be cash equivalents. At June 30, 2007 and December 31, 2006, the carrying value of the Company’s financial instruments approximated fair value.

### Securities

Securities represents municipal auction rate securities held by the Company which are treated as available for sale securities under SFAS No. 115, “Accounting for Certain Investments in Debt and Equity Securities”. Auction rate securities have legal maturities in excess of 20 years when issued, but have periodic interest rate resets, generally every seven, twenty-eight or thirty-five days. At June 30, 2007, the Company did not hold any municipal auction rate

securities. At December 31, 2006, the carrying value approximated fair value and the coupon rates from 3.6% and 3.9%.

#### Recent Accounting Pronouncements

In September 2006 the FASB issued SFAS No. 157 (“SFAS 157”) on fair value measurement. The standard provides guidance for using fair value to measure assets and liabilities. The standard also responds to investors’ requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The provisions of SFAS 157 are effective for fiscal years beginning after November 17, 2007. At this time, the Company is evaluating the implications, including the additional disclosure requirements, of SFAS 157, and its potential impact to the Company’s financial condition, results of operations and cash flows.

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In February 2007 the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115” (“SFAS 159”). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. The Company is currently assessing the impact of adoption SFAS 159 on the Company’s financial condition, results of operations and cash flows.

#### Note 3 — Investments

##### Affiliated Merchant Banking Investments

The Company invests in merchant banking funds for which it also acts as the general partner. In addition to recording its direct investments in the funds, the Company consolidates each general partner in which it has a majority of the economic interest.

The Company recognizes revenue on investments in merchant banking funds based on its allocable share of realized and unrealized gains (or losses) reported by such funds on a quarterly basis. Investments held by merchant banking funds are recorded at estimated fair value. Investments in privately held companies are initially carried at cost as an approximation of fair value and generally adjusted after being held by the fund for one year to the estimated fair value as determined by the general partner of the fund after giving consideration to the cost of the security, the pricing of other sales of securities by the portfolio company, the price of securities of other companies comparable to the portfolio company, purchase multiples paid in other comparable third-party transactions, the original purchase price multiple, market conditions, liquidity, operating results and other financial data. Discounts are generally applied to the funds’ privately held investments to reflect the lack of liquidity and other transfer restrictions. Investments in publicly traded securities are valued using quoted market prices discounted for any legal or contractual restrictions on sale. Because of the inherent uncertainty of valuations as well as the discounts applied, the estimated fair values of investment in privately held companies may differ significantly from the values that would have been used had a ready market for the securities existed. The values at which the investments are carried are adjusted to fair value at the end of each quarter and volatility in general economic conditions, stock markets and commodity prices may result in significant changes in the fair value of the investments and consequently also that portion of the revenues attributable to the Company’s merchant banking investments.

The Company's management fee income consists of fees paid by its merchant banking funds and other transaction fees paid by the portfolio companies.

Investment gains from the merchant banking activities are comprised of investment income, realized and unrealized gains from the Company's investment in GCP and GSAVP, and the consolidated earnings of the general partner in which it has a majority economic interest, offset by allocated expenses of the funds. That portion of the earnings of the general partner which are held by employees and former employees of the Company is recorded as minority interest.

The Company makes investment decisions for GCP and GSAVP and is entitled to receive from the general partners an override of the profits realized from the funds. The Company includes in consolidated merchant banking revenue all realized and unrealized profit overrides it earns from GCP and GSAVP. This includes profit overrides of the managing general partner of GCP I with respect to all investments it made after January 1, 2004 and the profit overrides of the general partners of GCP II, GCP Europe and GSAVP for all investments. From an economic perspective, profit overrides in respect of all merchant banking investments made after January 1, 2004 are generally allocated 50% to the Company and 50% to employees of the Company. In addition, the Company also includes in merchant banking revenue its portion and certain employees' portion of the profit overrides of GCP I with respect to investments made prior to January 1, 2004. The economic share of the profit overrides allocated to the employees of the Company is recorded as compensation expense.

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The Company's Merchant Banking revenue, by source, is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands)			
Management fees	\$ 4,241	\$ 3,786	\$ 8,084	\$ 7,148
Net realized and unrealized gains on merchant banking investments	4,760	196	5,664	19,296
Merchant banking overrides	1,900	1,000	2,500	29,300
Other realized and unrealized investment income	816	(88)	1,809	97
Merchant banking revenue	\$ 11,717	\$ 4,894	\$ 18,057	\$ 55,841

The carrying values of the Company's investments are as follows:

	As of June 30, 2007	As of December 31, 2006
	(in thousands)	
Investment in GCP I	\$ 52,645	\$ 55,718

Investment in GCP II	57,315	34,436
Investment in GSAVP	2,105	1,532
Investment in GCP Europe	8,394	—
Investment in Ironshore, Inc	—	30,053
Other investments	2,633	7,692
Investments	\$ 123,092	\$ 129,431

At June 30, 2007 and December 31, 2006, the carrying value of investments included \$2.7 million and \$2.2 million, respectively, related to the interests in the managing general partners of GCP held directly by various employees of the Company. At June 30, 2007 and December 31, 2006, approximately \$9.9 million and \$10.5 million, respectively, of the Company's compensation payable related to profit overrides for unrealized gains of GCP. This amount may increase or decrease depending on the change in the fair value of the GCP funds portfolio and is payable, subject to claw back, at the time the funds realize cash proceeds.

At June 30, 2007, the Company had unfunded commitments of \$72.2 million and \$9.4 million to GCP and GSAVP, respectively. These commitments are expected to be drawn on from time to time over a period of up to five years from the relevant commitment dates.

Due to the significant carrying values of the Company's investment in GCP I and GCP II, summarized financial information is provided below. This information is not provided for the Company's investments in GSAVP and GCP Europe.

Summarized financial information for the combined GCP I funds, in their entirety, is as follows:

	As of June 30, 2007	As of December 31, 2006
	(in thousands)	
Portfolio Investments	\$ 740,835	\$ 861,610
Total Assets	763,546	883,890
Total Liabilities	9,440	105,278
Partners' Capital	754,106	778,612

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands)			
Net realized and unrealized gain (loss) on investments	\$ 90,451	\$ 8,965	\$ 97,254	\$ 339,955
Investment income	1,717	8,591	3,588	15,998
Expenses	(357)	(4,092)	(2,636)	(6,164)
Net income	\$ 91,811	\$ 13,464	\$ 98,206	\$ 349,789

Summarized financial information for the combined GCP II funds, in their entirety, is as follows:

	As of June 30, 2007	As of December 31, 2006
	(in thousands)	
Portfolio Investments	\$ 535,308	\$ 359,849
Total Assets	549,125	368,293
Total Liabilities	453	37,408
Partners' Capital	548,672	330,885

  

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands)			
Net realized and unrealized gain (loss) on investments	\$ 13,624	\$ (8,145)	\$ 17,769	\$ (3,645)
Investment income	1,575	469	3,176	874
Expenses	(3,662)	(3,973)	(7,301)	(7,061)
Net income (loss)	\$ 11,537	\$ (11,649)	\$ 13,644	\$ (9,832)

## Investment in Ironshore Inc. and Other Investments

In December 2006, GCE acquired ordinary shares of Ironshore Inc., a newly formed insurance company, for \$30 million. During the second quarter of 2007, the Company completed the first closing of our European merchant banking fund, GCP Europe. GCP Europe purchased the shares of Ironshore Inc. held by GCE for \$31.8 million, which represented GCE's cost plus an interest charge from the date of the GCE's acquisition thereof. The Company recognized \$1.2 million of interest income from its sale of Ironshore Inc. to GCP Europe at the time of sale in the second quarter of 2007.

In 2006, GCPLLC received a distribution in kind from GCP I of marketable securities of a portfolio company. This investment was sold in May 2007 for \$7.2 million. The fair value of the investment at December 31, 2006 was \$5.6 million and is included in other investments above. Also included in other investments is the fair value of the common stock of a GCP I portfolio company of \$1.1 million and \$1.6 million at June 30, 2007 and December 31, 2006, respectively.

In June 2005, the Company committed \$5.0 million to Barrow Street Capital III, LLC ("Barrow Street III"), of which \$3.5 million remains unfunded at June 30, 2007. The remaining commitment to Barrow Street III will be funded as required through April 2009. Included above in other investments at June 30, 2007 and December 31, 2006, is \$1.5 million and \$0.5 million, respectively, related to the investment in Barrow Street III.

## Note 4 — Goodwill

On July 6, 2006, the Company acquired through its wholly owned subsidiary, GCH, 100% of the outstanding share capital of Beaufort Partners Limited, an independent investment bank based in Toronto, Canada. The acquisition was accounted for as a purchase and we have allocated approximately \$17.7 million of the purchase price to goodwill.

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Note 5 — Related Parties

At June 30, 2007 and December 31, 2006, the Company had a receivable of \$1.6 million and \$0.7 million, respectively, due from GCP and GSAVP relating to expense reimbursements, which is included in due from affiliates.

A firm owned by an executive of the Company also subleases airplane and office space from the Company.

Due to affiliates at June 30, 2007 and December 31, 2006 represents undistributed earnings to the U.K. members of GCI from the period prior to the Company's reorganization. Included in accounts payable and accrued expenses at June 30, 2007 and December 31, 2006, respectively, is \$0.1 million in interest payable on the undistributed earnings to the U.K. members of GCI.

Note 6 — Revolving Bank Loan Facility

At June 30, 2007, the Company had a \$75.0 million revolving loan facility from a U.S. commercial bank to provide for working capital needs, facilitate the funding of short-term investments and other general corporate purposes. The revolving loan facility is secured by all management fees earned by GCPLLC and any cash distributed to GCPLLC in respect of its partnership interests in GCP I and GCP II. Interest on borrowings is based on one month LIBOR plus 1.45% and interest is payable monthly. The revolving loan facility matures on August 1, 2008, but may be extended by a written agreement of lender and borrower. In addition, the Company must comply with certain financial and liquidity covenants. The weighted average daily borrowings outstanding under the loan facility during the six months ended June 30, 2007 and 2006, respectively, was approximately \$35.8 million and \$2.6 million, with average interest rates of 6.92% and 6.82%, respectively.

Note 7 — Stockholders' Equity

On June 13, 2007, a dividend of \$0.25 per share was paid to shareholders of record on May 30, 2007. Dividend equivalents of \$0.4 million were paid on the restricted stock units that are expected to vest. Additionally, in July 2007, the Board of Directors of the Company declared a quarterly dividend of \$0.38 per share. The dividend will be payable on September 12, 2007 to the common stockholders of record on August 29, 2007.

In connection with the acquisition of Beaufort Partners Limited in July 2006, GCH issued 257,156 shares of non-voting exchangeable shares valued at \$15.4 million, which are exchangeable into the same number of shares of Common Stock of the Company subject to certain conditions and are entitled to receive the same dividends (if any) as paid in respect of the Common Stock.

During the six months ended June 30, 2007, the Company repurchased in open market transactions 1,045,634 shares of its common stock at an average price of \$67.31. In April 2007, the Board of Directors of the Company authorized the Company to repurchase up to \$150.0 million of common stock through April 2008. In addition, during the six months ended June 30, 2007, the Company is deemed to have repurchased 63,272 shares of its common stock at an average price of \$69.77 per share in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units.

During the six months ended June 30, 2006, the Company repurchased in open market transactions 482,000 shares of its common stock at an average price of \$63.46. Additionally, in the first quarter of 2006, the Company closed the repurchase of 195,222 shares at a price of \$46.80 per share from a former employee. The Company also purchased an additional 48,806 shares of common stock from the same former employee at a price of \$48.75 per share.



Additionally, during the six months ended June 30, 2006, the Company is deemed to have repurchased 49,348 shares of its common stock at an average price of \$69.26 per share in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units.

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Note 8 — Earnings Per Share

The computations of basic and diluted EPS are set forth below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in thousands, except per share amounts)			
Numerator for basic and diluted EPS – Earnings available to common stockholders	\$ 42,728	\$ 13,277	\$ 51,448	\$ 41,488
Denominator for basic EPS – weighted average number of common shares	28,971	29,494	29,202	29,546
Effect of dilutive securities				
Restricted stock units	116	235	130	211
Denominator for diluted EPS – weighted average number of common and dilutive potential common shares	29,087	29,729	29,332	29,757
Earnings per share:				
Basic	\$ 1.47	\$ 0.45	\$ 1.76	\$ 1.40
Diluted	\$ 1.47	\$ 0.45	\$ 1.75	\$ 1.39

The weighted average number of common shares includes 257,156 shares of non-voting exchangeable shares, which are exchangeable into the same number of shares of common stock of the Company subject to certain conditions.

Note 9 — Income Taxes

The Company's effective rate will vary depending on the source of the income. Investment and certain foreign sourced income are taxed at a lower effective rate than U.S. trade or business income. In the normal course of business, the Company may take positions on its tax returns that may be challenged by domestic and foreign taxing authorities. All such transactions are subject to substantial tax due diligence and planning, in which the underlying form, substance and structure of the transaction is evaluated. The Company believes it is more likely than not that all deferred tax assets will be realized.

Effective January 1, 2007, the Company adopted the provisions of FIN 48. FIN 48 prescribes the recognition and measurement criteria related to tax positions taken or expected to be taken in a tax return. For those benefits to be recognized a tax position must be "more-likely-than-not" to be sustained upon examination by taxing authorities. The Company had no cumulative effect of adoption FIN 48, and therefore, no adjustment was recorded to retained earnings upon adoption.

The Company and its subsidiaries file U.S. Federal income tax returns, as well as income tax returns in various states and foreign jurisdictions. Prior to the initial public offering in May 2004 the Company operated as a limited liability company, taxable as partnership and was not subject to U.S. federal or state income taxes, and GCI, as a limited partnership, was generally not subject to U.K. income tax. At the time of the public offering the Company became a C Corporation and is subject to U.S. federal, state and foreign income tax. With limited exceptions the Company is subject to U.S. Federal, state and foreign income tax examinations for periods after May 2004.

Note 10 — Regulatory Requirements

Certain subsidiaries of the Company are subject to various regulatory requirements in the United States and United Kingdom, which specify, among other requirements, minimum net capital requirements for registered broker-dealers.

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G&Co is subject to the Securities and Exchange Commission’s Uniform Net Capital requirements under Rule 15c3-1 (the ‘Rule’), which specifies, among other requirements, minimum net capital requirements for registered broker-dealers. The Rule requires G&Co to maintain a minimum net capital of the greater of \$5,000 or 1/15 of aggregate indebtedness, as defined in the Rule. As of June 30, 2007, G&Co’s net capital was \$6.1 million, which exceeded its requirement by \$5.3 million. G&Co’s aggregate indebtedness to net capital ratio was 1.85 to 1 at June 30, 2007. Certain advances, distributions and other capital withdrawals of G&Co are subject to certain notifications and restrictive provisions of the Rule.

GCI and GCPE are subject to capital requirements of the FSA. As of June 30, 2007, GCI and GCPE were in compliance with its local capital adequacy requirements.

Note 11 — Business Information

The Company’s activities as an investment banking firm constitute a single business segment, with two principal sources of revenue:

- Financial advisory, which includes advice on mergers, acquisitions, restructuring and similar corporate finance matters; and
- Merchant banking, which includes the management of outside capital invested in GCP and GSAVP and the Company’s principal investments in such funds.

The following provides a breakdown of our aggregate revenues by source for the three-month and six-month periods ended June 30, 2007 and 2006, respectively:

	Three Months Ended			
	June 30, 2007		June 30, 2006	
	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Financial Advisory	\$ 127.0	90%	\$ 53.8	91%

Merchant Banking Fund Management & Other	13.6	10%	5.5	9%
Total Revenues	\$ 140.6	100%	\$ 59.3	100%

	Six Months Ended			
	June 30, 2007		June 30, 2006	
	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Financial Advisory	\$ 163.3	89%	\$ 103.1	64%
Merchant Banking Fund Management & Other	20.8	11%	57.2	36%
Total Revenues	\$ 184.1	100%	\$ 160.3	100%

The Company's financial advisory and merchant banking activities are closely aligned and have similar economic characteristics. A similar network of business and other relationships upon which the Company relies for financial advisory opportunities also generate merchant banking opportunities. Generally, the Company's professionals and employees are treated as a common pool of available resources and the related compensation and other Company costs are not directly attributable to either particular revenue source. In reporting to management, the Company distinguishes the sources of its investment banking revenues between financial advisory and merchant banking. However, management does not evaluate other financial data or operating results such as operating expenses, profit and loss or assets by its financial advisory and merchant banking activities.

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### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this Management's Discussion and Analysis of Financial Condition and Results of Operations, "we", "our", "firm" and "Greenhill" refer to Greenhill & Co., Inc.

#### Cautionary Statement Concerning Forward-Looking Statements

The following discussion should be read in conjunction with our condensed consolidated financial statements and the related notes that appear elsewhere in this report. We have made statements in this discussion that are forward-looking statements. In some cases, you can identify these statements by forward-looking words such as "may", "might", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of these words, or comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. These factors include, but are not limited to, those discussed in our Report on Form 10-K under the caption "Risk Factors".

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to update any of these forward-looking statements after the date hereof.

## Overview

Greenhill is an independent investment banking firm that (i) provides financial advice on significant mergers, acquisitions, restructurings and similar corporate finance matters and (ii) manages merchant banking funds and commits capital to those funds. We act for clients located throughout the world from offices in New York, London, Frankfurt, Toronto and Dallas. Our activities constitute a single business segment with two principal sources of revenue:

- Financial advisory, which includes advice on mergers, acquisitions, restructurings and similar corporate finance matters; and
- Merchant banking fund management, which currently consists primarily of management of Greenhill's private equity funds, Greenhill Capital Partners or GCP, and Greenhill's venture capital fund, Greenhill SAV Partners or GSAVP, and principal investments by Greenhill in those funds.

Historically, our financial advisory business has accounted for the majority of our revenues, and we expect that to remain so for the near to medium term, although there may be periods, such as the first quarter of 2006, in which merchant banking results outweigh our financial advisory earnings. The main driver of the Financial Advisory business is overall mergers and acquisitions, or M&A, and restructuring volume, particularly in the industry sectors and geographic markets in which we focus. In addition, new managing director hires add incrementally to our revenue and income growth potential. The principal drivers of our merchant banking fund management revenues are realized and unrealized gains on investments and profit overrides, the size and timing of which are tied to a number of different factors including the performance of the particular companies in which we invest, general economic conditions in the debt and equity markets and other factors which affect the industries in which we invest, such as commodity prices.

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### Business Environment

Economic and global financial market conditions can materially affect our financial performance. See the "Risk Factors" in our Report on Form 10-K filed with the Securities and Exchange Commission. Net income and revenues in any period may not be indicative of full-year results or the results of any other period and may vary significantly from year to year and quarter to quarter.

Financial advisory revenues were \$127.0 million for the three months ended June 30, 2007 compared to \$53.8 million for the three months ended June 30, 2006, which represents an increase of 136%. Financial advisory revenues were \$163.3 million for the six months ended June 30, 2007 compared to \$103.1 million for the six months ended June 30, 2006, which represents an increase of 58%. Global volume of completed M&A transactions was \$1,684 billion in the first six months of 2007 compared to \$1,353 billion in the first six months of 2006, a 24% increase<sup>1</sup>.

Merchant banking fund management and other revenues were \$13.6 million for the three months ended June 30, 2007 compared to \$5.5 million for the three months ended June 30, 2006, which represents an increase of 147%. Merchant banking fund management and other revenues were \$20.8 million for the six months ended June 30, 2007 compared to \$57.2 million for the six months ended June 30, 2006, which represents a decrease of 64%. Merchant banking revenues principally consisted of realized and unrealized gains on investments in GCP, merchant banking profit

overrides and management fees. While the amount of management fees earned from our existing merchant banking funds is principally a function of the amount of capital invested (in the case of GCP I) or committed (in the case of GCP II, GCP Europe and GSAVP), those portions of merchant banking revenues consisting of gains and profit overrides may vary considerably depending on economic conditions. During the six months ended June 30, 2006, several GCP portfolio companies benefited from favorable conditions in the financing markets. Adverse changes in general economic conditions, commodity prices, credit and public equity markets could impact negatively the amount of merchant banking revenue realized by the firm.

## Results of Operations

### Summary

Our second quarter 2007 revenues of \$140.6 million compare with revenues of \$59.3 million for the second quarter of 2006, which represents an increase of \$81.3 million or 137%. The increase in revenue in the second quarter 2007 revenue as compared to the same period in the prior year was primarily attributable to an increase in advisory revenue. On a year-to-date basis, revenue through June 30, 2007 was \$184.1 million, compared to \$160.3 million for the comparable period in 2006, representing an increase of \$23.8 million or 15%. The increase in year-to-date revenue as compared to the same period in the prior year was due to higher advisory fee revenue offset by lower merchant banking revenue.

Our second quarter net income of \$42.7 million compares with net income of \$13.3 million for the second quarter of 2006, which represents an increase of \$29.4 million or 221%. The increase was due to the aforementioned increase in advisory revenue, partially offset by greater compensation expense. On a year-to-date basis, net income was \$51.4 million through June 30, 2007, compared to net income of \$41.5 million for the comparable period in 2006, which represents an increase of 24%. This increase was primarily due to increased advisory revenue, partially offset by greater compensation expense.

Our quarterly revenues can fluctuate materially depending on the number and size of completed transactions on which it advised and the levels of gain realized on our merchant banking investments, as well as other factors. Accordingly, the revenues in any particular quarter may not be indicative of future results.

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<sup>1</sup> Source: Thomson Financial as of July 23, 2007.

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### Revenues By Source

The following provides a breakdown of our aggregate revenues by source for the three and six month periods ended June 30, 2007 and 2006, respectively:

#### Revenue by Principal Source of Revenue

Three Months Ended	
June 30, 2007	June 30, 2006

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	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Financial Advisory	\$ 127.0	90%	\$ 53.8	91%
Merchant Banking Fund Management & Other	13.6	10%	5.5	9%
Total Revenues	\$ 140.6	100%	\$ 59.3	100%

	Six Months Ended			
	June 30, 2007	% of Total	June 30, 2006	% of Total
	(in millions, unaudited)			
Financial Advisory	\$ 163.3	89%	\$ 103.1	64%
Merchant Banking Fund Management & Other	20.8	11%	57.2	36%
Total Revenues	\$ 184.1	100%	\$ 160.3	100%
Financial Advisory Revenues				

Financial advisory revenues primarily consist of retainers and transaction related fees earned in connection with advising companies in mergers, acquisitions, restructurings or similar transactions. We earned \$127.0 million in financial advisory revenues in the second quarter of 2007 compared to \$53.8 million in the second quarter of 2006, which represents an increase of 136%. For the six months ended June 30, 2007, financial advisory revenues were \$163.3 million compared to \$103.1 million for the comparable period in 2006, representing an increase of 58%. The increase in our financial advisory revenues in the three and six months ended June 30, 2007 as compared to the same periods in the prior year reflected generally high levels of M&A volume, growth of the Greenhill brand as a leading independent advisor and the success of our industry and industry sector expansion.

Completed assignments in the second quarter of 2007 included:

- the sale of Alliance Boots plc to Kohlberg Kravis Roberts & Co.;
- the acquisition by Bridgepoint Capital Limited of the educational publishing division of Wolters Kluwer NV;
- the acquisition by Dynegey, Inc. of LS Power Group's power generation portfolio;
- the sale of Gallaher Group plc to Japan Tobacco Inc.;
- the sale by Kelda Group plc of Aquarion Company to Macquarie Bank;
- the representation of the Independent Committee of the Board of Kinder Morgan Energy Partners on its acquisition of the Trans Mountain Pipeline System;
- the sale by Patheon Inc. of an equity stake to a private investor;
- the sale by Premier Farnell plc of its UK industrial tools distribution division to The BSS Group plc;
- the sale by Rentokil Initial plc of its electronic security division to United Technologies Corp.;
- the representation of the Transaction Committee of the Board of Directors of SLM Corporation on its pending sale to J.C. Flowers, Friedman Fleischer & Lowe, Bank of America and JPMorgan Chase; and
- the sale by The Woodbridge Company Limited of Jane's Information Group to IHS Inc.

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We also benefited in the second quarter of 2007 from retainers and other advisory fees unrelated to transaction completions.

#### Merchant Banking Fund Management & Other Revenues

Our merchant banking fund management activities currently consist primarily of the management of and our investment in Greenhill's merchant banking funds, GCP I, GCP II, GCP Europe and GSAVP. We generate merchant banking revenue from (i) management fees paid by the funds, (ii) gains (or losses) on our investments in the merchant banking funds, and (iii) profit overrides. The following table sets forth additional information relating to our merchant banking and interest income:

	Three Months Ended June		Six Months Ended June	
	30, 2007	2006	30, 2007	2006
	(in millions, unaudited)			
Management fees	\$ 4.2	\$ 3.8	\$ 8.1	\$ 7.2
Net realized and unrealized gains on investments in merchant banking	4.7	0.2	5.6	19.3
Merchant banking profit overrides	1.9	1.0	2.5	29.3
Other realized and unrealized investment income	0.8	(0.1)	1.8	0.1
Interest income	2.0	0.6	2.8	1.3
Merchant banking fund management & other revenues	\$ 13.6	\$ 5.5	\$ 20.8	\$ 57.2

The firm earned \$13.6 million in merchant banking fund management & other revenues in the second quarter of 2007 compared to \$5.5 million in the second quarter of 2006, representing an increase of 147%. These increases are primarily due to higher realized and unrealized principal investment gains in the GCP portfolio, an increase in the recognized amounts of profit overrides associated with gains in the GCP portfolio, an increase in interest income principally resulting from the purchase at cost plus an interest factor of an investment held by the firm for GCP Europe, and higher asset management fees resulting from greater assets under management.

For the first six months of 2007, the firm earned \$20.8 million in merchant banking fund management & other revenues compared to \$57.2 million in the first six months of 2006, a decrease of 64%. The decrease was primarily due to lower realized and unrealized principal investment gains and related profit overrides, offset by greater interest income and higher asset management fees.

The values at which our investments are carried on our books are adjusted to fair value at the end of each quarter based upon a number of factors including the length of time the investments have been held, the trading price of the shares (in the case of publicly traded securities), restrictions on transfer and other recognized valuation methodologies. Significant changes in general economic conditions, stock markets and commodity prices, as well as capital events at the portfolio companies such as initial public offerings or sales, may result in significant movements in the fair value of such investments. Accordingly, any such changes or capital events may have a material effect, positive or negative, on our revenues and results of operations. The frequency and timing of such changes or capital events and their impact on our results are by nature unpredictable and will vary from period to period.

During the second quarter of 2007, GCP elected to sell approximately 50% of its remaining shareholdings in Crown Castle International Corp. (NYSE: CCI) for net proceeds of \$187.9 million. In total, GCP (and the firm) earned revenue related to seven portfolio companies in the second quarter of 2007.

During the second quarter, we completed the first closing of our European merchant banking fund, Greenhill Capital Partners Europe. Total committed capital for the first closing was \$212 million, of which \$50 million was committed by the firm and \$79 million was committed by Greenhill employees.

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In terms of new investment activity during the second quarter of 2007, GCP II invested an additional \$94.4 million (10% of which was firm capital) consisting of investments in Trans-Fast Remittance LLC and FCC Holdings, Inc., as compared to \$12.7 million (11% of which was firm capital) invested in the same period of 2006. Additionally, GCP Europe purchased an interest in Ironshore Inc. from the firm for \$31.8 million, including an interest charge from the date of the firm's acquisition thereof.

The investment gains or losses in our investment portfolio may fluctuate significantly over time due to factors beyond our control, such as individual portfolio company performance, equity market valuations and merger and acquisition opportunities. Revenue recognized from gains recorded in any particular period is not necessarily indicative of revenue that may be realized in future periods.

### Operating Expenses

We classify operating expenses as compensation and benefits expense and non-compensation expenses.

Our operating expenses for the second quarter of 2007 were \$75.0 million, which compares to \$37.6 million of operating expenses for the second quarter of 2006. This represents an increase in operating expenses of \$37.4 million or 99%, which relates principally to an increase in compensation expense and is described in more detail below. The pre-tax income margin was 47% in the second quarter of 2007 compared to 37% for the second quarter of 2006.

For the six months ended June 30, 2007, total operating expenses were \$104.4 million, which compares to total operating expenses of \$91.4 million for the comparable period in 2006. The increase of \$13.0 million or 14% relates principally to an increase in compensation expense and is described in more detail below. The pre-tax income margin for the six months ended June 30, 2007 was 43% compared to 42% for the comparable period in 2006.

The following table sets forth information relating to our operating expenses, which are reported net of reimbursements of certain expenses by our clients and merchant banking portfolio companies:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in millions, unaudited)			
Employee compensation & benefits expense	\$ 64.4	\$ 26.4	\$ 84.6	\$ 73.6
% of Revenues	46%	45%	46%	46%
Non-compensation expense	10.6	11.2	19.8	17.8
% of Revenues	8%	19%	11%	11%
Total operating expense	75.0	37.6	104.4	91.4
% of Revenues	53%	63%	57%	57%



Minority interest in net income of affiliates	0.1	0.0	0.1	1.7
Total income before tax	65.5	21.7	79.6	67.2
Pre-tax Income Margin	47%	37%	43%	42%
Compensation and Benefits				

Our employee compensation and benefits expenses in the second quarter of 2007 were \$64.4 million, which reflects a 46% ratio of compensation to revenues. This amount compares to \$26.4 million for the second quarter of 2006, which reflected a 45% ratio of compensation to revenues. The increase of \$38.0 million or 144% is due to the higher level of revenues in the second quarter of 2007 as compared to the same period in the prior year. For the six months ended June 30, 2007, our employee compensation and benefits expense was \$84.6 million, which compares to \$73.6 million of compensation and benefits expense for the six months ended June 30, 2006. The increase of \$11.0 million or 15% is due to the higher level of revenues in the first six months of 2007 compared to the comparable period in 2006. For the six months ended June 30, 2007 and 2006, the ratio of compensation to revenues remained constant at 46%.

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Our compensation expense is generally based upon revenue and can fluctuate materially in any particular quarter depending upon the amount of revenue recognized as well as other factors. Accordingly, the amount of compensation expense recognized in any particular quarter may not be indicative of compensation expense in a future period.

#### Non-Compensation Expense

Our non-compensation expense includes the costs for occupancy and rental, communications, information services, professional fees, travel and entertainment, insurance, recruitment, depreciation and other operating expenses. Reimbursable client expenses are netted against non-compensation expenses.

Our non-compensation expenses were \$10.6 million in the second quarter of 2007, which compared to \$11.2 million in the second quarter of 2006, representing a decrease of 5%. The decrease is principally related to the absence of provisions for legal contingencies recorded in the second quarter of 2006, offset by an increase in interest expense related to short term borrowings, greater leasehold amortization costs associated with new office space in London and New York, and an increase in travel costs as a result of the growth in personnel and business development activities.

For the first six months of 2007, our non-compensation expenses were \$19.8 million, which compared to \$17.8 million in the first six months of 2006, representing an increase of 11%. The increase is related principally to increases in occupancy and other costs associated with new office space in London and New York, an increase in interest expense related to short term borrowings, greater travel and information services costs primarily as a result of the growth in personnel and business development activities, offset in part by the absence of provisions for legal contingencies in 2007 as compared to the same period in 2006.

Non-compensation expenses as a percentage of revenues in the three months ended June 30, 2007 were 8% compared to 19% for the same period in the prior year. This decrease in non-compensation expenses as a percentage of revenue in the second quarter of 2007 as compared to the same period in the prior year reflects a slightly lower amount of expenses spread over higher revenue. Non-compensation expenses as a percentage of revenues in the six months ended June 30, 2007 and 2006 remained constant at 11%.

Our non-compensation expense as a percentage of revenue can vary as a result of a variety of factors including fluctuation in quarterly revenue amounts, the amount of recruiting and business development activity, the amount of reimbursement of engagement-related expenses by clients, currency movements and other factors. Accordingly, the non-compensation expense as a percentage of revenue in any particular quarter may not be indicative of the non-compensation expense as a percentage of revenue in future periods.

#### Provision for Income Taxes

The provision for taxes in the second quarter of 2007 was \$22.8 million, which reflects an effective tax rate of approximately 35%. This compares to a provision for taxes in the second quarter of 2006 of \$8.4 million based on an effective tax rate of approximately 39% for the period. The increase in the provision for taxes results from higher pre-tax income in the period partially offset by a lower effective rate due to a large proportion of our pre-tax income being earned in lower tax rate jurisdictions during the period.

For the six months ended June 30, 2007, the provision for taxes was \$28.1 million, which reflects an effective tax rate of approximately 35%. This compares to a provision for taxes for the six months ended June 30, 2006 of \$25.8 million, which reflects an effective tax rate of approximately 38% for the period. The increase in the provision for taxes is primarily due to the higher pre-tax income in the period offset by a lower effective tax rate due to a greater proportion of our income being earned in lower tax rate jurisdictions during the period.

The effective tax rate can fluctuate as a result of variations in the relative amounts of advisory and merchant banking income earned in the tax jurisdictions in which the firm operates and invests. Accordingly, the effective tax rate in any particular quarter may not be indicative of the effective tax rate in future periods.

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##### Liquidity and Capital Resources

Our liquidity position is monitored by our Management Committee, which generally meets monthly. The Management Committee monitors cash, other significant working capital assets and liabilities, debt, principal investment commitments and other matters relating to liquidity requirements. As cash accumulates it is invested in short term liquid investments.

We generate cash from both our operating activities in the form of advisory fees and our merchant banking investments in the form of distributions of investment proceeds and profit overrides. We use our cash primarily for operating purposes, compensation of our employees, payment of income taxes, investments in merchant banking funds, payment of dividends, repurchase of shares of our stock and leasehold improvements.

A large portion of our liabilities (including accrued bonuses related to profit overrides for unrealized gains of GCP and tax liabilities that are deferred until the gains from the GCP investments are realized) are associated with unrealized earnings (i.e., recorded on our books but for which cash proceeds have not yet been received) from our merchant banking investments. The amounts payable for these liabilities may increase or decrease depending on the change in the fair value of the GCP funds and are payable, subject to clawback, at the time the funds realize cash proceeds.

During 2007 the Company increased its revolving loan facility from a U.S. commercial bank from \$30.0 million to \$75.0 million. The revolving loan facility is available to provide for working capital needs, facilitate the funding of short-term investments and other general corporate purposes. The revolving loan facility is secured by all management fees earned by GCPLLC and any cash distributed to GCPLLC in respect of its partnership interests in GCP I and GCP II. Interest on borrowings is based on one month LIBOR plus 1.45% and interest is payable monthly. The revolving loan facility matures on August 1, 2008, but may be extended by a written agreement of lender and borrower.

As of June 30, 2007, we had total commitments (not reflected on our balance sheet) relating to future investments in GCP and GSAVP and other merchant banking activities of \$85.0 million. These commitments are expected to be drawn on from time to time and be substantially invested over a period of up to five years from the relevant commitment dates. Our unfunded remaining commitment to GCP I expired on March 31, 2007.

The firm repurchased 939,934 shares of its common stock in open market purchases at an average price of \$66.56 during the second quarter of 2007 and had remaining authorization to repurchase up to \$87.4 million of common stock in open market transactions.

We believe that the cash generated from operations and funds available from the revolving bank loan facility will be sufficient to meet our expected operating needs, commitments to our merchant banking activities, build-out costs of new office space, tax obligations, share repurchases and common dividends. In the event that our needs for liquidity should increase as we expand our business, we may consider a range of financing alternatives to meet any such needs.

#### Cash Flows

In the first six months of 2007, our cash and cash equivalents increased by \$18.0 million from December 31, 2006. We generated \$7.9 million in operating activities, including \$58.7 million from net income after giving effect to the non-cash items, partially offset by a net decrease in working capital of \$50.8 million (principally from an increase in accounts receivables, the payment of bonuses and taxes). We generated \$52.1 million in investing activities, including \$38.8 million from the sale of auction rate securities, \$17.7 million from distributions received from our merchant banking investments, and \$30.1 million from sale of Ironshore investment to GCP Europe, partially offset by \$31.5 million in new investments in our merchant banking funds and \$3.0 million which was used for the build-out of new office space. We used \$43.4 million for financing activities, including \$74.8 million for the repurchase of our common stock and \$15.1 million for the payment of dividends which were funded through net revolving borrowings of \$44.5 million.

In the first six months of 2006, our cash and cash equivalents decreased by \$39.4 million from December 31, 2005. We used \$42.0 million in operating activities, including a net decrease in working

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capital of \$45.0 million (principally from the payment of annual bonuses and an increase in accounts receivable), partially offset by \$3.0 million from net income after giving effect to the non-cash items. We generated \$41.0 million in investing activities, including \$59.5 million from distributions from our merchant banking investments, partially offset by \$9.6 million used for the purchase of auction rate securities and \$6.6 million for leasehold improvements and equipment purchases. We used \$40.8 million for financing activities, including \$36.4 million for the repurchase of our common stock and \$9.8 million for the payment of dividends which were partially funded through net borrowings of \$3.0 million.

## Market Risk

We limit our investments to (1) short-term cash investments and other securities, which we believe do not face any material interest rate risk, equity price risk or other market risk, and (2) principal investments made in or on behalf of GCP and GSAVP and other merchant banking funds.

We have invested our cash in short duration, highly rates fixed income investments including highly rated short-term debt securities and money market funds. Changes in interest rates and other economic and market conditions could affect these investments adversely; however, we do not believe that any such changes will have a material effect on our results of operations. Our short-term cash investments are primarily denominated in US dollars, UK sterling and Euros, and we face modest foreign currency risk in our cash balances held in accounts outside the United States due to potential currency movements and the associated accounting requirements. To the extent that the cash balances in local currency exceed our short term obligations, we may hedge our foreign currency exposure.

With regard to our principal investments (including our portion of any profit overrides earned on such investments), we face exposure to changes in the estimated fair value of the companies in which we and our merchant banking funds invest, which historically has been volatile. Significant changes in the public equity markets may have a material effect on our results of operations. Volatility in the general equity markets would impact our operations primarily because of changes in the fair value of our merchant banking or principal investments that are publicly traded securities. We have analyzed our potential exposure to general equity market risk by performing sensitivity analyses on those investments held by us and in our merchant banking funds which consist of publicly traded securities. This analysis showed that if we assume that at June 30, 2007, the market prices of all public securities were 10% lower, the impact on our operations would be a decrease in revenues of \$5.0 million. We meet on a quarterly basis to determine the fair value of the investments held in our merchant banking portfolio and to discuss the risks associated with those investments. The Investment Committee manages the risks associated with the merchant banking portfolio by closely monitoring and managing the types of investments made as well as the monetization and realization of existing investments.

In addition, the reported amounts of our revenues may be affected by movements in the rate of exchange between the euro, pound sterling and Canadian dollar (in which 58% of our revenues for the six months ended June 30, 2007 were denominated) and the dollar, in which our financial statements are denominated. We do not currently hedge against movements in these exchange rates. We analyzed our potential exposure to a decline in exchange rates by performing a sensitivity analysis on our net income. We do not believe we face any material risk in this respect.

## Critical Accounting Policies and Estimates

The condensed consolidated financial statements included in this report are prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions regarding investment valuations, compensation accruals and other matters that affect the condensed consolidated financial statements and related footnote disclosures. Management believes that the estimates used in preparing its consolidated financial statements are reasonable and prudent. Actual results could differ materially from those estimates. We believe that the following discussion addresses Greenhill's most critical accounting policies, which are those that are most important to the presentation of our financial condition and results of operations and require management's most difficult, subjective and complex judgments.

## Basis of Financial Information

Our condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions regarding future events that affect the amounts reported in our financial statements and related footnotes, including investment valuations, compensation accruals and other matters. We believe that the estimates used in preparing our condensed consolidated financial statements are reasonable and prudent. Actual results could differ materially from those estimates.

The condensed consolidated financial statements of the firm include all consolidated accounts and Greenhill & Co., Inc. and all other entities in which we have a controlling interest, including Greenhill & Co. International LLP, after eliminations of all significant inter-company accounts and transactions. In accordance with revised Financial Accounting Standards Board (“FASB”) Interpretation No. 46 (“FIN 46-R”), “Consolidation of Variable Interest Entities”, the firm consolidates the general partners of our merchant banking funds in which we have a majority of the economic interest. The firm does not consolidate the merchant banking funds since the firm, through its general partner and limited partner interests, does not have a majority of the economic interest in such funds and under EITF No. 04-5, “Accounting for an Investment in a Limited Partnership When the Investor Is the Sole General Partner and the Limited Partners Have Certain Rights,” is subject to removal by a simple majority of unaffiliated third-party investors.

## Revenue Recognition

### Financial Advisory Fees

We recognize advisory fee revenue when the services related to the underlying transactions are completed in accordance with the terms of the respective engagement letters. Retainer fees are generally recognized as advisory fee income over the period the services are rendered.

Our clients reimburse certain out-of-pocket expenses incurred by us in the conduct of advisory engagements. Expenses are reported net of such client reimbursements.

### Merchant Banking Fund Management Revenues

Merchant banking fund management revenue consists of (i) management fees on our merchant banking activities, (ii) gains (or losses) on investments in our merchant banking funds and other principal investment activities and (iii) merchant banking profit overrides.

Fund management fees are recognized over the period of related service.

We recognize revenue on investments in merchant banking funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds on a quarterly basis. Investments held by merchant banking funds are recorded at estimated fair value. Investments in privately held companies are initially carried at cost as an approximation of fair value and generally adjusted after being held by the fund for one year to the estimated fair value as determined by the general partner of the fund after giving consideration to the cost of the security, the pricing of other sales of securities by the portfolio company, the price of securities of other companies comparable to the portfolio company, purchase multiples paid in other comparable third-party transactions, the original purchase price multiple, market conditions, liquidity, operating results and other financial data. Discounts are generally applied to the funds’ privately held investments to reflect the lack of liquidity and other transfer restrictions. Investments in publicly traded securities are valued using quoted market prices discounted for any legal or contractual restrictions on sale. Because of the inherent uncertainty of valuations as well as the discounts applied, the estimated fair values of investment in privately held companies may differ significantly from the values that would have been used had a ready market for the securities existed. The values at which our investments are carried on our books are adjusted to fair value at the end of each quarter and the volatility in general economic conditions, stock markets and commodity

prices may result in significant changes in the fair value of the investments.

We recognize merchant banking profit overrides when certain financial returns are achieved over the life of the fund. Profit overrides are calculated as a percentage of the profits over a specified

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threshold earned by such funds on investments managed on behalf of unaffiliated investors of GCP I and principally all investors, except the firm, in GCP II, GCP Europe, and GSAVP, and are subject to clawback. Future losses in the value of the funds' investments may require amounts previously recognized as profit overrides to be reversed to the fund in future periods. Accordingly, merchant banking profit overrides are recognized as revenue only after material contingencies have been resolved.

### Restricted Stock Units

In accordance with the fair value method prescribed by Statement of Financial Accounting Standards, or SFAS No. 123(R), "Share-Based Payment", which is a revision of SFAS No. 123, "Accounting for Stock-Based Compensation", restricted stock units with future service requirements are recorded as compensation expense and generally is amortized over a five-year service period following the date of grant. Compensation expense is determined at the date of grant. As the Company expenses the awards, the restricted stock units recognized are recorded within stockholders' equity. The Company records dividend equivalents in stockholders' equity on outstanding restricted stock units that are expected to vest.

### Provision for Taxes

We account for taxes in accordance with SFAS No. 109, "Accounting for Income Taxes", which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax bases of its assets and liabilities. Tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will not be realized.

### Accounting Developments

In September 2006 the FASB issued SFAS No. 157 ("SFAS 157") on fair value measurement. The standard provides guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for expanded information about the extent to which companies measure assets and liabilities at fair value, the information used to measure fair value, and the effect of fair value measurements on earnings. The provisions of SFAS 157 are effective for fiscal years beginning after November 17, 2007. At this time, the Company is evaluating the implications, including the additional disclosure requirements, of SFAS 157, and its potential impact to the Company's financial condition, results of operations and cash flows.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. This Statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company is currently assessing the impact of adoption SFAS 159 on the Company's financial condition, results of operations and cash flows.

## Goodwill

Goodwill is the cost of acquired companies in excess of the fair value of identifiable net assets at acquisition date. In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is tested at least annually for impairment. An impairment loss is triggered if the estimated fair value of an operating business is less than estimated net book value. Such loss is calculated as the difference between the estimated fair value of goodwill and its carrying value.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

We do not believe we face any material interest rate risk, foreign currency exchange risk, equity price risk or other market risk except as disclosed in Item 2 — "Market Risk" above.

## Item 4. Controls and Procedures

Under the supervision and with the participation of the firm's management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the

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firm's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

No change in the firm's internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) occurred during the period covered by this report that materially affected, or is reasonably likely to materially affect, the firm's internal control over financial reporting.

## Part II — Other Information

### Item 1. Legal Proceedings

From time to time, in the ordinary course of our business, we are involved in lawsuits, claims, audits, investigations and employment disputes, the outcome of which, in the opinion of the firm's management, will not have a material adverse effect on our financial position, cash flows or results of operations.

### Item 1A: Risk Factors

There have been no material changes in our risk factors from those disclosed in our 2006 Annual Report on Form 10-K.

### Item 2: Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchases in the Second Quarter of 2007:

Period	Total Number of Shares Repurchased <sup>2</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs <sup>3</sup>
April 1 – April 30	—	\$ —	—	\$ 150,000,000
May 1 – May 31	859,244	66.07	859,244	93,226,778
June 1 – June 30	80,690	71.73	80,690	87,439,317

Item 3. Defaults Upon Senior Securities

None.

Item 4. Submission of Matters to a Vote of Security Holders

None.

<sup>2</sup>Excludes 31,664 shares the Company is deemed to have repurchased at \$64.72 from employees in conjunction with the payment of tax liabilities in respect of stock delivered to employees in settlement of restricted stock units.

<sup>3</sup>These shares were purchased pursuant to the authorization granted by our Board of Directors to purchase up to \$150,000,000 in shares of our common stock, as announced on April 25, 2007.

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Item 5. Other Information

None.

Item 6. Exhibits

Exhibits:

- 10.36 Form of Third Modification Agreement by and between First Republic Bank and Greenhill & Co., Inc.
- 10.37 Form of Third-Party Security Agreement (Management and Advisory Fees) by and between Greenhill Capital Partners, LLC and First Republic Bank
- 10.38 Form of Amended and Restated Limited Partnership Agreement for Greenhill Capital Partners Europe (Employees), L.P.
- 10.39 Form of Amended and Restated Limited Partnership Agreement for GCP Europe General Partnership L.P.
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley



- Act of 2002
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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### Signatures

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

Date: August 2, 2007

GREENHILL & CO., INC.

By: /s/ ROBERT F. GREENHILL

Name: Robert F. Greenhill

Title: Chairman and Chief Executive

Officer

By: /s/ JOHN D. LIU

Name: John D. Liu

Title: Chief Financial Officer

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