

GREENHILL & CO INC  
Form 10-Q  
November 03, 2006

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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 September 30, 2006

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)

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

Registrant's telephone number (212) 389-1500

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 October 30, 2006, there were 28,600,740 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-co.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)

	As of	
	September 30, 2006	December 31, 2005
Assets		
Cash and cash equivalents <sup>(1)</sup>	\$ 70,121,484	\$ 83,240,865
Securities	9,573,637	
Financial advisory fees receivable, net of allowance for doubtful accounts of \$0.9 million and \$1.1 million as of September 30, 2006 and December 31, 2005, respectively	33,192,922	27,336,205
Other receivables	2,190,257	933,468
Property and equipment, net of accumulated depreciation and amortization of \$28.0 million and \$27.6 million as of September 30, 2006 and December 31, 2005, respectively	14,903,559	8,638,632
Investments	111,465,436	104,135,337
Due from affiliates	681,093	260,537
Goodwill	17,613,132	—

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Other assets	10,802,145	10,396,077
Total assets	\$ 270,543,665	\$ 234,941,121
Liabilities and Stockholders' Equity		
Compensation payable	\$ 54,198,859	\$ 61,219,698
Accounts payable and accrued expenses	11,650,356	15,984,768
Bank loan payable	12,300,000	—
Taxes payable	45,855,190	38,346,740
Due to affiliates	1,445,044	1,445,044
Total liabilities	125,449,449	116,996,250
Minority interest in net assets of affiliates	2,917,461	3,229,537
Common stock, par value \$0.01 per share; 100,000,000 shares authorized, 31,028,760 and 30,880,024 shares issued and outstanding as of September 30, 2006 and December 31, 2005, respectively	310,286	308,800
Restricted stock units	18,722,249	8,931,618
Additional paid-in capital	115,944,223	109,961,120
Exchangeable shares of subsidiary; 257,156 shares issued and outstanding	15,352,213	
Retained earnings	97,723,301	57,595,530
Accumulated other comprehensive loss	(383,645)	(3,025,186)
Treasury stock, at cost; 2,407,593 and 1,650,496 shares as of September 30, 2006 and December 31, 2005, respectively	(105,491,872)	(59,056,548)
Stockholders' equity	142,176,755	114,715,334
Total liabilities, minority interest and stockholders' equity	\$ 270,543,665	\$ 234,941,121

<sup>(1)</sup>Includes restricted cash of \$4,677,732 as of September 30, 2006. See Note 12.  
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 Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
Revenues				
Financial advisory fees	\$ 47,604,625	\$ 35,299,486	\$ 150,725,168	\$ 91,086,984
Merchant banking revenue	9,193,646	29,911,754	65,034,995	46,174,382
Interest income	841,433	820,434	2,144,616	2,160,453
Total Revenues	57,639,704	66,031,674	217,904,779	139,421,819
Expenses				
Employee compensation and benefits	26,471,823	30,707,309	100,048,222	62,360,470
Occupancy and equipment rental	2,418,701	1,801,945	6,668,940	4,765,690

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Depreciation and amortization	856,806	622,941	2,049,631	1,897,102
Information services	1,103,871	894,643	3,270,223	2,702,949
Professional fees	990,890	895,362	2,644,360	3,171,177
Travel related expenses	1,112,856	1,215,157	3,773,733	3,619,541
Other operating expenses	2,529,174	1,358,434	8,385,857	5,140,011
Total Expenses	35,484,121	37,495,791	126,840,966	83,656,940
Income before Tax and Minority Interest	22,155,583	28,535,883	91,063,813	55,764,879
Minority interest in net income of affiliates	92,258	696,409	1,754,788	925,384
Income before Tax	22,063,325	27,839,474	89,309,025	54,839,495
Provision for taxes	7,895,499	10,022,201	33,653,275	20,017,218
Net Income	\$ 14,167,826	\$ 17,817,273	\$ 55,655,750	\$ 34,822,277
Weighted average common shares outstanding:				
Basic	29,468,127	30,628,431	29,575,097	30,843,199
Diluted	29,571,666	30,765,357	29,711,057	30,923,528
Earnings per share				
Basic	\$ 0.48	\$ 0.58	\$ 1.88	\$ 1.13
Diluted	\$ 0.48	\$ 0.58	\$ 1.87	\$ 1.13

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

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

	Nine Months Ended September 30, 2006	Year Ended December 31, 2005
Common stock, par value \$0.01 per share		
Common stock, beginning of the year	\$ 308,800	\$ 307,500
Common stock issued	1,486	1,300
Common stock, end of the period	310,286	308,800
Restricted stock units		
Restricted stock units, beginning of the year	8,931,618	3,396,714
Restricted stock units recognized	13,139,793	9,023,251
Restricted stock units delivered	(3,349,162)	(3,488,347)
Restricted stock units, end of the period	18,722,249	8,931,618
Additional paid-in capital		
Additional paid-in capital, beginning of the year	109,961,120	106,743,051
Common stock issued	3,456,390	2,344,158
Tax benefit from the delivery of restricted stock units	2,526,713	873,911

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Additional paid-in capital, end of the period	115,944,223	109,961,120
Exchangeable shares of subsidiary		
Exchangeable shares of subsidiary, beginning of the year	—	—
Exchangeable shares of subsidiary issued	15,352,213	—
Exchangeable shares of subsidiary, end of the period	15,352,213	—
Retained earnings		
Retained earnings, beginning of the year	57,595,530	15,781,529
Dividends	(15,527,979)	(13,718,283)
Net income	55,655,750	55,532,284
Retained earnings, end of the period	97,723,301	57,595,530
Other comprehensive income		
Other comprehensive income, beginning of the year	(3,025,186)	1,222,235
Currency translation adjustment	2,641,541	(4,247,421)
Other comprehensive (loss) income, end of the period	(383,645)	(3,025,186)
Treasury Stock, at cost		
Treasury stock, beginning of the year	(59,056,548)	(211,926)
Repurchased	(46,435,324)	(58,844,622)
Treasury stock, end of the period	(105,491,872)	(59,056,548)
Total stockholders' equity	\$ 142,176,755	\$ 114,715,334

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

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

	For the Nine Months Ended September 30,	
	2006	2005
Operating activities:		
Net income	\$ 55,655,750	\$ 34,822,277
Adjustments to reconcile net income to net cash provided by operating activities:		
Adjustments to net income:		
Depreciation and amortization	2,049,631	1,897,102
Net realized and unrealized (gains) losses on investments	(53,792,083)	(38,272,382)
Restricted stock units recognized and common stock issued	13,248,508	6,751,274
Changes in operating assets and liabilities:		
Financial advisory fees receivable	(5,856,717)	11,884,991
Due from affiliates	(420,556)	(137,984)
Other receivables and assets	(1,398,691)	(213,821)
Compensation payable	(7,020,839)	568,446
Accounts payable and accrued expenses	(4,334,412)	257,978

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Minority interest in net assets of affiliates	(312,076)	1,643,689
Taxes payable	7,508,450	9,039,550
Cash settlement of restricted stock units		(1,988,870)
Net cash provided by operating activities	5,326,965	26,252,250
Investing activities:		
Purchase of investments	(13,042,133)	(14,104,193)
Distributions received from investments	59,504,117	8,676,502
Purchase of securities	(19,808,532)	(158,531,476)
Sale of securities	10,234,895	210,948,146
Purchase of property and equipment	(8,499,006)	(1,134,673)
Purchase of Beaufort Partners Limited, net of cash acquired	(2,260,919)	—
Net cash provided by investing activities	26,128,422	45,854,306
Financing activities:		
Proceeds of revolving bank loan	40,800,000	—
Repayment of revolving bank loan	(28,500,000)	—
Dividends paid	(15,527,979)	(10,052,356)
Purchase of treasury stock	(46,435,324)	(32,595,689)
Net tax benefit from the delivery of restricted stock units	2,526,713	830,851
Proceeds from the issuance of common stock	—	(54,959)
Net cash used in financing activities	(47,136,590)	(41,872,153)
Effect of exchange rate changes on cash and cash equivalents	2,561,822	(2,583,555)
Net (decrease) increase in cash and cash equivalents	(13,119,381)	27,650,848
Cash and cash equivalents, beginning of period	83,240,865	60,806,951
Cash and cash equivalents, end of period <sup>(1)</sup>	\$ 70,121,484	\$ 88,457,799
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 150,753	\$ —
Cash paid for taxes, net of refunds	\$ 22,037,100	\$ 9,635,560

<sup>(1)</sup>Includes restricted cash of \$4,677,732 as of September 30, 2006. See Note 12.  
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
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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"), (collectively "GCP"), and Greenhill Silicon Alley Venture 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 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"), 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").

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.

GCPLL is a registered investment adviser under the Investment Advisers Act of 1940. GCPLL provides investment advisory services to GCP, our 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.

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 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, 2005 filed with the Securities and Exchange Commission. The condensed consolidated financial information as of December 31, 2005 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 \$0.9 million and \$1.5 million for the three months ended September 30, 2006 and 2005, respectively and \$2.9 million and \$3.2 million for the nine months ended September 30, 2006 and 2005, 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 and GSAVP, and are subject to clawback. Future losses (if any) in the value of the fund’s 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. Investments primarily include investments in GCP and GSAVP.

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### 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 had no bad debt expense for the nine months ended September 30, 2006 and recorded bad debt expense of approximately \$0.6 million for the nine months ended September 30, 2005.

### Restricted Stock Units

In accordance with the fair value method prescribed by FASB Statement No. 123(R), "Share-Based Payment", which is a revision of FASB Statement 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 expends 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. The Company adopted FASB Statement 123(R) as of January 1, 2005, and it did not have a material effect on the Company's accounting for awards of restricted stock units in its financial statements.

### Earnings per Share

The Company calculates earnings per share ("EPS") in accordance with FASB Statement 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. The change in depreciation method in 2005 did not have a material impact on the Company's results of operations.

#### Provision for Taxes

The Company accounts for taxes in accordance with Statement of Financial Accounting Standard 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.

#### 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

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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.

#### 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 September 30, 2006 and December 31, 2005, the carrying value of the Company's financial instruments approximated fair value. Restricted cash of \$4.7 million at September 30, 2006, represents cash held in a segregated account in connection with the legal proceeding described in Note 12-Contingencies.

#### Securities

Securities represents municipal auction rate securities held by the Company which are treated as available for sale securities under FASB Statement 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 September 30, 2006, the Company had a highly diversified portfolio of AAA-rated auction rate securities which generally provide liquidity at par, as they can be sold at regularly scheduled auctions on the interest reset dates. At December 31, 2005, the Company did not hold any municipal auction rate securities.

#### Accounting Developments

In June 2005, the EITF reached consensus on Issue No. 04-5, "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights," which requires general partners (or managing members in the case of limited liability companies) to consolidate their

partnerships or to provide limited partners with rights to remove the general partner or to terminate the partnership. The Company, as the general partner of merchant banking partnerships, was required to adopt the provisions of EITF 04-5 (i) immediately for partnerships formed or modified after June 29, 2005 and (ii) in the first quarter of 2006 for partnerships formed on or before June 29, 2005 that have not been modified. The Company provides the unaffiliated limited partners in these funds with simple majority rights to remove the general partner or rights to terminate the partnerships and, therefore, the adoption of EITF 04-5 on January 1, 2006 did not have an effect on the Company's financial condition, results of operations or cash flows.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainty in Income Taxes". The Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes". The provisions of FIN 48 are effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating whether FIN 48 will have an impact to the consolidated financial statements.

On September 15, 2006 the FASB issued, FASB Statement No. 157 ("FAS 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 FAS 157 are effective for fiscal years beginning after November 17, 2007. The Company is currently evaluating whether FAS 157 will have an impact to the consolidated financial statements.

### 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.

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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 respective general partners in which they have 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 principally all of the limited 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 and GSAVP for all investments. From an economic perspective, profit overrides in respect of the investments made after January 1, 2004 are 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(in thousands)			
Management fees	\$ 4,095	\$ 3,365	\$ 11,243	\$ 7,902
Net realized and unrealized gains on merchant banking investments	2,769	14,229	22,065	20,846
Merchant banking overrides	2,200	12,100	31,500	16,900
Other unrealized investment income	130	218	227	526
Merchant banking revenue	\$ 9,194	\$ 29,912	\$ 65,035	\$ 46,174

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

	As of September 30,	As of December 31,
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	2006	2005
	(in thousands)	
Investment in GCP I	\$ 83,763	\$ 85,293
Investment in GCP II	25,355	17,272
Investment in GSAVP	550	—
Other investments	1,797	1,570
Investments	\$ 111,465	\$ 104,135

At September 30, 2006 and December 31, 2005, included in investment in GCP I is \$2.4 million and \$2.9 million, respectively, related to the interests in the managing general partner of GCP I held directly by various employees of the Company. At September 30, 2006 and December 31, 2005, included in investment in GCP II is \$0.5 million and \$0.3 million, respectively, related to the interests in the general partner of GCP II held directly by various employees of the Company. At September 30, 2006 and December 31, 2005, approximately \$18.3 million and \$17.7 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 September 30, 2006, the Company had unfunded commitments of \$6.5 million, \$59.9 million and \$10.4 million to GCP I, GCP II 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.

At September 30, 2006 consolidated subsidiaries of GCP had outstanding borrowings of \$168 million from a financial institution pursuant to credit agreements secured by the shares of common stock in a portfolio company owned by them and backed, under limited circumstances, by a recourse agreement issued by GCPLLC.

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

	As of September 30, 2006	As of December 31, 2005
	(in thousands)	
Portfolio Investments	\$ 1,028,076	\$ 860,974
Total Assets	1,050,272	911,175
Total Liabilities	157,506	72,235
Partners' Capital	892,766	838,940

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(in thousands)			
Net unrealized gain (loss) on investments	\$ 55,643	\$ 198,912	\$ 210,557	\$ 280,197
Net realized gain on investments	4,475	35,406	189,516	100,135
Investment income	6,478	4,601	22,476	15,180
Expenses	(3,859)	(1,908)	(10,023)	(6,523)
Net income	\$ 62,737	\$ 237,011	\$ 412,526	\$ 388,989

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

	As of September 30, 2006	As of December 31, 2005
	(in thousands)	
Portfolio Investments	\$ 237,271	\$ 152,585
Total Assets	257,343	162,589
Total Liabilities	12,863	3,564
Partners' Capital	244,480	159,025

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(in thousands)			
Net unrealized gain (loss) on investments	\$ 674	\$ 5,636	\$ (2,971)	\$ 13,689
Investment income	435	22	1,309	22
Expenses	(3,840)	(2,486)	(10,901)	(7,012)
Net income (loss)	\$ (2,731)	\$ 3,172	\$ (12,563)	\$ 6,699

On September 29, 2006, the Company completed the final closing of GSAVP, its first venture capital fund, which will focus on early stage investments in companies in the greater New York Tri-State area. Total committed capital for GSAVP was \$101.5 million. The Company committed \$10.9 million of the capital raised and the Company's managing directors committed \$22.6 million of the capital raised. Committed capital is expected to be drawn down from time to time over an investment period of up to five years.

#### Other Investments

In June 2005, the Company committed \$5.0 million to Barrow Street Capital III, LLC ("Barrow Street III"), of which \$4.8 million remains unfunded at September 30, 2006. The remaining commitment to Barrow Street III will be funded as required through April 2009. Included above in other investments at September 30, 2006 and December 31, 2005, is \$0.2 million and \$0.2 million, respectively, related to the investment in Barrow Street III.

In 2004, GCPLLC was granted stock options as a transaction fee from a GCP I portfolio company. The options were exercised for common stock, and the fair value of the common stock of \$1.5 million and \$1.3 million is included in other investments above at September 30, 2006 and December 31, 2005, respectively.

#### 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 preliminarily allocated approximately \$17.6 million of the purchase price to

goodwill.

#### Note 5 — Related Parties

At September 30, 2006 and December 31, 2005, the Company had a receivable of \$0.2 million and \$0.3 million, respectively, due from GCP relating to expense reimbursements, which is included in due from affiliates. At September 30, 2006, the Company had a receivable of \$0.4 million due from GSAVP relating to expense reimbursements, which is included in due from affiliates.

Barrow Street Capital, a real estate investment management company, subleased office space from the Company through August 2006. Under that arrangement, Barrow Street Capital reimbursed the Company for the use of other facilities and participation in the Company's health care plans.

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

In April 2005, the Company accelerated the vesting of the restricted stock units granted to the controlling parties of Barrow Street Capital, and in May 2005, the Company settled these restricted stock units for cash of \$2.0 million. Included in compensation and benefits is \$1.4 million for the nine months ended September 30, 2005 in expenses related to the restricted stock units granted to the controlling parties of Barrow Street Capital as part of the Company's initial public offering.

Due to affiliates at September 30, 2006 and December 31, 2005 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 September 30, 2006 and December 31, 2005, 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

During 2006, the Company obtained from a U.S. commercial bank an unsecured \$20.0 million revolving loan facility to provide for working capital needs, facilitate the funding of short-term investments and other general corporate purposes. Interest on borrowings is based on one month LIBOR plus 1.875% and interest is payable monthly. The revolving bank loan facility matures on August 1, 2007, but may be extended by a written agreement of lender and borrower. In addition, at least once during the period from January 31, 2006 through August 1, 2007, the Company must repay all loans borrowed under the facility, and it may not borrow again under the facility for a 30-day period following repayment, or demonstrate sufficient liquidity to accomplish the out of debt requirement without the necessity of repaying the outstanding borrowing. On September 30, 2006, the Company had borrowings of \$12.3 million outstanding under the facility.

#### Note 7 — Stockholders' Equity

On September 13, 2006, a dividend of \$0.19 per share was paid to shareholders of record on August 23, 2006. Dividend equivalents of \$0.3 million were paid on the restricted stock units that are expected to vest. Additionally, in October 2006, the Board of Directors of the Company declared a quarterly dividend of \$0.19 per share. The dividend will be payable on December 13, 2006 to the common stockholders of record on November 22, 2006.



On July 6, 2006, in connection with the acquisition of Beaufort Partners Limited, GCH issued 257,156 shares of non-voting exchangeable shares valued at \$15,352,213, 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 nine months ended September 30, 2006, the Company repurchased in open market transactions 652,500 shares of its common stock at an average price of \$61.71. The Company is authorized to repurchase an additional \$30.3 million of common stock in open market transactions. 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 nine months ended September 30, 2006, the Company is deemed to have repurchased 55,791 shares of its common stock at an average price of \$67.96 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 nine months ended September 30, 2005, the Company repurchased in open market transactions 270,556 shares of its common stock at an average price of \$37.76. During that first nine months of 2005, the Company also repurchased 800,000 shares from a former employee at a price of \$26.22 per share. Additionally, during the first nine months of 2005 the Company is deemed to have repurchased 39,376 shares of its common stock at \$35.75 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 September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(in thousands, except per share amounts)			
Numerator for basic and diluted EPS				
– Earnings available to common stockholders	\$ 14,168	\$ 17,817	\$ 55,656	\$ 34,822
Denominator for basic EPS – weighted average number of common shares	29,468	30,628	29,575	30,843
Effect of dilutive securities				
Restricted stock units	104	137	136	81
Denominator for diluted EPS – weighted average number of common and dilutive potential common shares	29,572	30,765	29,711	30,924
Earnings per share:				
Basic	\$ 0.48	\$ 0.58	\$ 1.88	\$ 1.13
Diluted	\$ 0.48	\$ 0.58	\$ 1.87	\$ 1.13

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.

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.

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 September 30, 2006, G&Co's net capital was \$6.2 million, which exceeded its requirement by \$4.4 million. G&Co's aggregate indebtedness to net capital ratio was 4.41 to 1 at September 30, 2006. Certain advances, distributions and other capital withdrawals of G&Co are subject to certain notifications and restrictive provisions of the Rule.

GCI is subject to capital requirements of the FSA. As of September 30, 2006, GCI was 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.

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The following provides a breakdown of our aggregate revenues by source for the three-month and nine-month periods ended September 30, 2006 and 2005, respectively:

	Three Months Ended			
	September 30, 2006		September 30, 2005	
	Amount	% of Total	Amount	% of Total
	(in thousands)			
Financial Advisory	\$ 47,605	83%	\$ 35,300	53%
Merchant Banking Fund Management & Other	10,035	17%	30,732	47%
Total Revenues	\$ 57,640	100%	\$ 66,032	100%

	Nine Months Ended			
	September 30, 2006		September 30, 2005	
	Amount	% of Total	Amount	% of Total
	(in thousands)			
Financial Advisory	\$ 150,725	69%	\$ 91,087	65%
Merchant Banking Fund Management & Other	67,180	31%	48,335	35%
Total Revenues	\$ 217,905	100%	\$ 139,422	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.

#### Note 12 — Contingencies

In February 2003, the firm was retained to perform services on behalf of Loral Space & Communications, Inc. ("Loral"). Loral subsequently sought protection under Chapter 11 of the U.S. Bankruptcy Code ("Chapter 11"). The fees paid by Loral to Greenhill were approved periodically, on an interim basis, by the court in which Loral's Chapter 11 cases were pending. Loral's plan of reorganization was confirmed in late 2005. In early 2006, representatives of certain Loral security holders objected to Greenhill's fees. The objections of one group of security holders have been denied by the Bankruptcy Court and the subsequent appeal of the denial has been withdrawn. The Company has reached an agreement, which has been approved by the Bankruptcy Court, to dispose of the remaining objections (those of the unsecured creditors' committee) pursuant to which a portion of the amount previously placed in escrow in connection with the dispute will be returned to the Company.

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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 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 Silicon Alley Venture Partners or GSAVP, and principal investments by Greenhill in those funds.

Historically, the majority of our revenues sources from our financial advisory business 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 outweighed 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 general economic conditions in the debt and equity markets and other factors which affect the industries in which we invest, such as commodity prices.

## 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.

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Financial advisory revenues were \$47.6 million for the three months ended September 30, 2006 compared to \$35.3 million for the three months ended September 30, 2005, which represents an increase of 35%. Financial advisory

revenues were \$150.7 million for the nine months ended September 30, 2006 compared to \$91.1 million for the nine months ended September 30, 2005, which represents an increase of 65%. Global volume of completed M&A transactions was \$1,876 billion in the first nine months of 2006 compared to \$1,563 billion in the first nine months of 2005, a 20% increase<sup>1</sup>.

Although we may benefit from any sustained increase in M&A volume, we have been and will continue to be constrained by the relatively small size of our firm and we may not grow as rapidly as our principal competitors. In addition, some of the benefits we expect to experience in connection with the recent increase in M&A volume will be partially offset by the current modest level of restructuring activity.

Merchant banking fund management and other revenues were \$10.0 million for the three months ended September 30, 2006 compared to \$30.7 million for the three months ended September 30, 2005, which represents a decrease of 67%. Merchant banking fund management and other revenues were \$67.2 million for the nine months ended September 30, 2006 compared to \$48.3 million for the nine months ended September 30, 2005, which represents an increase of 39%. 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 and GSAVP), those portions of merchant banking revenues consisting of gains and profit overrides may vary considerably depending on economic conditions. During the nine months ended September 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 third quarter 2006 revenues of \$57.6 million compare with revenues of \$66.0 million for the third quarter of 2005, which represents a decrease of \$8.4 million or 13%. The decrease in revenue in the third quarter 2006 revenue as compared to the same period in the prior year was primarily attributable to lower merchant banking revenue, partially offset by an increase in advisory revenue. On a year-to-date basis, revenue through September 30, 2006 was \$217.9 million, compared to \$139.4 million for the comparable period in 2005, representing an increase of \$78.5 million or 56%. The increase in year-to-date revenues is due to both higher advisory fee revenue and higher merchant banking revenue in 2006 compared to 2005.

Our third quarter net income of \$14.2 million compares with net income of \$17.8 million for the third quarter of 2005, which represents a decrease of \$3.6 million or 20%. The decrease was due to the aforementioned decline in merchant banking revenue, partially offset by lower compensation expense. On a year-to-date basis, net income was \$55.7 million through September 30, 2006, compared to net income of \$34.8 million for the comparable period in 2005, which represents an increase of 60%. This increase was primarily due to increased financial advisory and merchant banking revenues, 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 October 24, 2006.

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## Revenues By Source

The following provides a breakdown of our aggregate revenues by source for the three and nine month periods ended September 30, 2006 and 2005, respectively:

## Revenue by Principal Source of Revenue

	Three Months Ended			
	September 30, 2006		September 30, 2005	
	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Financial Advisory	\$ 47.6	83%	\$ 35.3	53%
Merchant Banking Fund Management & Other	10.0	17%	30.7	47%
Total Revenues	\$ 57.6	100%	\$ 66.0	100%

	Nine Months Ended			
	September 30, 2006		September 30, 2005	
	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Financial Advisory	\$ 150.7	69%	\$ 91.1	65%
Merchant Banking Fund Management & Other	67.2	31%	48.3	35%
Total Revenues	\$ 217.9	100%	\$ 139.4	100%

## Financial Advisory Revenues

Financial advisory revenues consist of retainers and success fees earned in connection with advising companies in mergers, acquisitions, restructurings or similar transactions. We earned \$47.6 million in financial advisory revenues in the third quarter of 2006 compared to \$35.3 million in the third quarter of 2005, which represents an increase of 35%. For the nine months ended September 30, 2006, financial advisory revenues were \$150.7 million compared to \$91.1 million for the comparable period in 2005, representing an increase of 65%. The increase in our financial advisory revenues in the three and nine months ended September 30, 2006 as compared to the same periods in the prior year reflected our continuing business development efforts and generally high levels of M&A volume.

Completed assignments in the third quarter of 2006 included:

- the representation of the Official Committee of Unsecured Creditors in the chapter 11 proceedings and sale of Adelphia Communication Corporation to Time Warner Inc. and the Comcast Corporation;
- the acquisition by Aggregate Industries Limited, a subsidiary of Holcim Ltd, of Foster Yeoman Ltd;
- the sale by Daily Mail and General Trust plc of Study Group International to CHAMP Private Equity;

- the representation of the special committee of the Board of Directors of Forest City Enterprises, Inc. in the restructuring of its ownership interests in Forest City Ratner Companies;
- the sale of Paladin Brands to Dover Corporation;
- the representation of the independent committee of Board of Directors of Reckson Associates Realty Corporation in its pending sale to SL Green Realty Corporation;
- the sale by Topaz Power Partners of a portfolio of power assets to an affiliate of the Carlyle Group and Riverstone Holdings;
- the acquisition by Sage Group Plc of Emdeon Practice Services; and
- the demerger by WH Smith plc of its Retail business.

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We also benefited from a high level of retainer 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 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 September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(in millions, unaudited)			
Management fees	\$ 4.1	\$ 3.4	\$ 11.2	\$ 7.9
Net realized and unrealized gains on merchant banking investments	2.8	14.2	22.1	20.8
Merchant banking overrides	2.2	12.1	31.5	16.9
Other unrealized investment income	0.1	0.2	0.2	0.5
Interest income	0.8	0.8	2.2	2.2
Merchant banking & other income	\$ 10.0	\$ 30.7	\$ 67.2	\$ 48.3

We earned \$10.0 million in merchant banking fund management & other revenues in the third quarter of 2006 compared to \$30.7 million in the third quarter of 2005, representing a decrease of 67%. This decrease is primarily due to lower realized and unrealized principal investment gains in the Greenhill Capital Partners ("GCP") portfolio and a decrease in the recognized amounts of profit overrides associated with gains in the GCP portfolio, offset partially by higher asset management fees resulting from greater assets under management.

For the first nine months of 2006, we earned \$67.2 million in merchant banking fund management & other revenues compared to \$48.3 million in the first nine months of 2005, an increase of 39%. These increases are primarily due to higher realized and unrealized principal investment gains in the GCP portfolio, an increase in the profit overrides associated with gains in the GCP portfolio, higher asset management fees resulting from greater assets under

management and higher dividend income and distributions of earnings from portfolio companies. GCP gains and losses relating to investments made in 2004 or later have a larger impact on our revenue because of our increased investment in, and increased participation in profit overrides relating to, GCP starting in early 2004. A majority of the gains recognized in the first nine months of 2006 were derived from investments made in 2004. As of September 30, 2006, we have recognized gains on a significant number of the portfolio companies in which GCP invested prior to 2005.

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 third quarter of 2006, GCP announced the sale of two portfolio companies — Republic Companies Group, Inc. (NASDAQ: RUTX) and Peach Holdings, Inc. (LSE: PSF). In August 2006, Delek Group Ltd., an Israeli conglomerate, announced it had reached an agreement to acquire Republic Companies in a cash transaction. In September 2006, affiliates of Credit Suisse Group announced an agreement to acquire Peach Holdings for £404 million (\$756 million).

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GCP will receive cash and retain a small ownership stake in Peach Holdings. In total, GCP (and the Firm) earned revenues relating to six portfolio companies and incurred losses relating to three portfolio companies in the third quarter of 2006.

In terms of new investment activity during the third quarter of 2006, GCP invested an additional \$74 million (10% of which was firm capital) compared to \$18.2 million (12% of which was firm capital) invested in the same period of 2005. For the first nine months, GCP has invested \$98.0 million (10% of which was Firm capital) in new investments and add-on investments in existing portfolio companies, as compared to \$102.9 million (11% of which was Firm capital) invested in the same period in 2005.

On September 29, 2006, we completed the final closing of GSAVP, our first venture capital fund, which will focus on early stage investments in companies in the greater New York Tri-State area. Total committed capital for GSAVP was \$101.5 million. The firm committed \$10.9 million of the capital raised and the firm's managing directors have personally committed a further \$22.6 million. The remainder of the committed capital was raised from a variety of institutional investors, as well as from wealthy families and corporate executives. Committed capital is expected to be drawn down from time to time over an investment period of up to five years to fund investments.

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 the first nine months of 2006 and 2005 are 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 third quarter of 2006 were \$35.5 million, which compares to \$37.5 million of operating expenses for the third quarter of 2005. This represents a decrease in operating expenses of \$2.0 million or 5%, which relates principally to a decrease in compensation expense and is described in more detail below. The pre-tax income margin was 38% in the third quarter of 2006 compared to 42% for the third quarter of 2005.

For the nine months ended September 30, 2006, total operating expenses were \$126.8 million, which compares to total operating expenses of \$83.7 million for the comparable period in 2005. The increase of \$43.1 million or 51% relates principally to an increase in compensation expense and is described in more detail below. The pre-tax income margin for the nine months ended September 30, 2006 was 41% compared to 39% for the comparable period in 2005.

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		Nine Months	
	Ended September 30, 2006	2005	Ended September 30, 2006	2005
	(in millions, unaudited)			
Employee Compensation & Benefits Expense	\$ 26.5	\$ 30.7	\$ 100.0	\$ 62.4
% of Revenues	46%	47%	46%	45%
Non-Compensation Expense	9.0	6.8	26.8	21.3
% of Revenues	16%	10%	12%	15%
Total Operating Expense	35.5	37.5	126.8	83.7
% of Revenues	62%	57%	58%	60%
Minority Interest in Net Income of Affiliates	0.1	0.7	1.8	0.9
Total Income Before Tax	22.1	27.8	89.3	54.8
Pre-tax Income Margin	38%	42%	41%	39%

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## Compensation and Benefits

Our employee compensation and benefits expense in the third quarter of 2006 was \$26.5 million, which reflects a 46% ratio of compensation to revenues. This amount compares to \$30.7 million for the third quarter of 2005, which reflected a 47% ratio of compensation to revenues. The decrease of \$4.2 million or 14% is primarily due to the lower level of revenues in the third quarter of 2006 and a lower ratio of compensation to revenues. For the nine months ended September 30, 2006, our employee compensation and benefits expense was \$100.0 million, which compares against \$62.4 million of compensation and benefits expense for the nine months ended September 30, 2005. The increase of \$37.6 million or 60% is primarily due to the higher level of revenues in the first nine months of 2006 compared to the comparable period in 2005. For the nine months ended September 30, 2006, the ratio of compensation to revenues was 46%, which was approximately the same for the comparable period in 2005.

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 \$9.0 million in the third quarter of 2006, which compared to \$6.8 million in the third quarter of 2005, representing an increase of 32%. The increase is related principally to increases in expenses and provisions for legal contingencies, increases in occupancy and other costs associated with new office space in London and New York, and increases in information services, travel and communications primarily as a result of additional personnel and business development activities, offset in part by the absence of the third-party fee related to fundraising for GCP II in the third quarter of 2006 as compared to the same period in 2005.

For the first nine months of 2006, our non-compensation expenses were \$26.8 million, which compared to \$21.3 million in the first nine months of 2005, representing an increase of 26%. The increase is related principally to increases in expenses and provisions for legal contingencies, increases in occupancy and other costs associated with new office space in London, New York and Dallas, and greater information services, travel and communications primarily as a result of additional personnel and business development activities, offset in part by the absence of the third-party fee related to fundraising for GCP II in 2006 as compared to the same period in 2005 and the absence of uncollectible accounts in 2006 as compared to the same period in 2005.

Non-compensation expenses as a percentage of revenues in the three months ended September 30, 2006 were 16% compared to 10% for the same period in the prior year. This increase principally results from a decrease in revenues and an increase in occupancy costs and a provision for legal contingencies. Non-compensation expenses as a percentage of revenues in the nine months ended September 30, 2006 were 12% as compared to 15% for the same period in the prior year. The decrease results from a modest increase in non-compensation expenses compared to significantly greater revenue.

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.

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##### Provision for Income Taxes

The provision for taxes in the third quarter of 2006 was \$7.9 million, which reflects an effective tax rate of approximately 36%. This compares to a provision for taxes in the third quarter of 2005 of \$10.0 million based on an effective tax rate of approximately 36% for the period.

For the nine months ended September 30, 2006, the provision for taxes was \$33.7 million, which reflects an effective tax rate of approximately 38%. This compares to a provision for taxes for the nine months ended September 30, 2005 of \$20.0 million based on an effective tax rate of approximately 37% for the period. The increase in the provision for taxes in the first nine months of 2006 primarily resulted from higher pre-tax income in the period and a higher effective tax rate primarily due to the fact that a greater proportion of our 2006 year-to-date income was earned in higher tax rate jurisdictions than in the same period in the prior year.

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.

#### 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.

To increase our financial flexibility, during 2006, we obtained from a U.S. commercial bank an unsecured \$20.0 million revolving loan facility to provide for working capital needs, facilitate the funding of merchant banking investments and other general corporate purposes. We intend to increase this facility by an additional \$10 million in the fourth quarter of 2006. Interest on borrowings is based on LIBOR plus 1.875%. The revolving bank loan facility matures on August 1, 2007. At September 30, 2006, \$12.3 million of borrowings were outstanding on the loan facility.

As of September 30, 2006, we had total commitments (not reflected on our balance sheet) relating to future principal investments in GCP, GSAVP and other merchant banking activities of \$81.5 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.

In July 2006, the Board of Directors of the Company increased the authorization for the repurchase of the Company's common stock in open market purchases to \$40.0 million. As of September 30, 2006, \$30.3 million of common stock remains available for repurchase in open market transactions under the authorization provided by the Company's Board of Directors.

#### Cash Flows

In the first nine months of 2006, our cash and cash equivalents decreased by \$13.1 million from December 31, 2005. We generated \$5.3 million from operating activities, including \$17.1 million from net

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income after giving effect to the non-cash items, partially offset by a net decrease in working capital of \$11.8 million (principally from the payment of annual bonuses and increase in accounts receivable). We generated \$26.1 million in investing activities, including \$59.5 million from distributions received from our merchant banking investments, partially offset by \$13.0 million in new investments in our merchant banking funds, \$9.6 million used for the purchase of auction rate securities, \$8.5 million primarily for the build-out of new office space and \$2.3 million used for the purchase of Beaufort Partners Limited. We used \$47.1 million for financing activities, including \$46.4 million for the repurchase of our common stock and \$15.5 million for the payment of dividends. A portion of our financing activities were funded through net borrowings of \$12.3 million.

In the first nine months of 2005, our cash and cash equivalents increased by \$27.7 million from December 31, 2004. We generated \$26.3 million from operating activities, including \$5.2 million from net income after giving effect to the non-cash items and by a net increase in working capital of \$21.1 million (principally from the collection of accounts receivable and accrual of taxes payable in the third quarter of 2005). We generated \$45.9 million from investing activities, including \$52.4 million from the net sale of securities and \$8.7 million from distributions received from our investments, partially offset by \$14.1 million in new investments in merchant banking funds. We used \$41.9 million for financing activities, including \$10.1 million for the payment of dividends and \$32.6 million for the repurchase of stock.

#### Contractual Obligations

On March 31, 2006, affiliates of GCP amended one existing credit agreement and entered into one new credit agreement with Morgan Stanley Mortgage Capital, Inc., as administrative agent, and pursuant to which they have borrowed in the aggregate \$168 million, secured by the shares of Global Signal Inc. common stock owned by them (which comprises substantially all of their assets). Under the terms of a separate recourse agreement, the lenders will have recourse to Greenhill Capital Partners, LLC in the event of fraud or intentional or grossly negligent misrepresentations by the borrowers or the institution of insolvency proceedings by or against the borrower, Greenhill Capital Partners LLC or the general partners of GCP. Proceeds from the loans were used to fund distributions to GCP's limited partners, which include executive officers of Greenhill and the firm. The credit agreements mature in September 2007.

#### 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 in Greenhill Capital Partners 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 non-US dollar denominated accounts. 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 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. We have analyzed our potential exposure to general equity market risk by performing sensitivity analyses on our principal investments. Significant volatility in the general equity markets would impact our operations primarily because of changes in the fair value of our merchant banking investments that are publicly traded securities or are privately held securities owned for more than one year. Our analysis showed that if we assume that at September 30, 2006, the market prices of all public securities,

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and therefore, the general equity market, were 10% lower, the impact on our operations would be a decrease in revenues of \$8.9 million. We do not believe there would be any other material impact. 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 and pound sterling (in which 31% of our revenues for the nine months ended September 30, 2006 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.

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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 threshold earned by such funds on

investments managed on behalf of unaffiliated investors of GCP I, principally all investors, except the firm, in GCP II and GSAVP, and are subject to clawback. Future losses in the value of the fund's 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 FASB Statement No. 123(R), "Share-Based Payment", which is a revision of FASB Statement 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 firm expenses the awards, the restricted stock units recognized are recorded within stockholders' equity. The firm records dividend equivalents in stockholders' equity on outstanding restricted stock units that are expected to vest. The firm adopted Statement 123(R) as of January 1, 2005, and it did not have a material effect on the accounting for restricted stock units in its consolidated financial statements.

#### 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.

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##### 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 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

In February 2003, the firm was retained to perform services on behalf of Loral Space & Communications, Inc. ("Loral"). Loral subsequently sought protection under Chapter 11 of the U.S. Bankruptcy Code ("Chapter 11"). The fees paid by

Loral to Greenhill were approved periodically, on an interim basis, by the court in which Loral's Chapter 11 cases were pending. Loral's plan of reorganization was confirmed in late 2005. In early 2006, representatives of certain Loral security holders objected to Greenhill's fees. The objections of one group of security holders have been denied by the Bankruptcy Court and the subsequent appeal of the denial has been withdrawn. The Company has reached an agreement, which has been approved by the Bankruptcy Court, to dispose of the remaining objections (those of the unsecured creditors' committee) pursuant to which a portion of the amount previously placed in escrow in connection with the dispute will be returned to the Company.

Item 1A: Risk Factors

There have been no material changes in our risk factors from those disclosed in our 2005 Annual Report on Form 10-K.

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

Share Repurchases in the Third Quarter of 2006:

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>
July 1 – July 31	—	\$ —	—	\$ 40,000,000
August 1 – August 31	170,500	56.75	170,500	30,324,826
September 1 – September 30	—	—	—	30,324,826

Item 3. Defaults Upon Senior Securities

None.

<sup>2</sup>Excludes 6,443 shares the Company is deemed to have repurchased at \$57.96 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 \$40,000,000 in shares of our common stock, as announced on July 27, 2006.

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

None.

Item 5. Other Information

None.



Item 6. Exhibits

Exhibits:

- 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: November 3, 2006

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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