GREENHILL & CO INC
Form 10-Q
October 28, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2010

OR

o **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	**51-0500737**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
300 Park Avenue New York, New York	**10022**
(Address of Principal Executive Offices)	(ZIP Code)

Registrant s telephone number, including area code: (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 þ No** o

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

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

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

As of October 22, 2010, 29,333,491 shares of the Registrant s common stock were 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 the company files at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC s internet site at http://www.sec.gov. Copies of these reports, proxy statements and other information can also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, U.S.A.

Our public internet site is http://www.greenhill.com. We 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 our Audit Committee, Compensation Committee and Nominating & Corporate Governance Committee, our Corporate Governance Guidelines, Related Party Transaction Policy and Code of Business Conduct & Ethics governing our directors, officers and employees. You may 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

	As of	
	September 30, 2010 (unaudited)	December 31, 2009
Assets		
Cash and cash equivalents ($4.1 million and $0.6 million restricted from use at September 30, 2010 and December 31, 2009, respectively)	$ 56,766,463	$ 74,473,459
Financial advisory fees receivable, net of allowance for doubtful accounts of $0.1 million and $0.0 million as of September 30, 2010 and December 31, 2009, respectively	48,527,819	26,021,124
Other receivables	3,869,231	4,980,749
Property and equipment, net	14,188,797	12,794,680
Investments in affiliated merchant banking funds	77,478,311	71,844,438
Other investments	94,151,546	78,516,718
Due from affiliates	298,026	233,617
Goodwill	154,075,042	18,721,430
Deferred tax asset	51,133,864	40,101,916
Other assets	8,344,783	701,352
Total assets	$ 508,833,882	$ 328,389,483
Liabilities and Equity		
Compensation payable	$ 17,484,663	$ 31,855,992
Accounts payable and accrued expenses	22,939,080	7,295,857
Bank loan payable	62,525,000	37,150,000
Deferred tax liability	23,684,587	18,141,138
Due to affiliates		393,288
Total liabilities	126,633,330	94,836,275
Common stock, par value $0.01 per share; 100,000,000 shares authorized, 35,103,905 and 33,254,271 shares issued as of September 30, 2010 and December 31, 2009, respectively; 29,332,837 and 27,977,623 shares outstanding as of September 30, 2010 and December 31, 2009, respectively	351,039	332,543
Contingent convertible preferred stock, par value $0.01 per share; 20,000,000 shares authorized, 1,099,877 shares issued and outstanding as of September 30, 2010	46,950,226	
Restricted stock units	88,424,569	81,219,868
Additional paid-in capital	370,782,069	237,716,672
Exchangeable shares of subsidiary; 257,156 shares issued as of September 30, 2010 and December 31, 2009; 110,191 and 132,955 shares outstanding as of September 30, 2010 and December 31, 2009, respectively	6,578,403	7,937,414
Retained earnings	197,271,526	206,974,630

Accumulated other comprehensive income (loss)	(2,471,339)	(8,737,728)
Treasury stock, at cost, par value $0.01 per share; 5,771,068 and 5,276,648 shares as of September 30, 2010 and December 31, 2009, respectively	(330,246,231)	(293,391,405)
Stockholders equity	377,640,262	232,051,994
Noncontrolling interests	4,560,290	1,501,214
Total equity	382,200,552	233,553,208
Total liabilities and equity	$ 508,833,882	$ 328,389,483

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 September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
Revenues				
Financial advisory fees	$ 97,004,262	$ 42,372,024	$ 195,523,025	$ 153,028,318
Merchant banking and other investment revenues	(13,065,904)	73,891,141	20,671,497	78,845,984
Interest income	111,891	19,366	240,258	335,644
Total revenues	84,050,249	116,282,531	216,434,780	232,209,946
Expenses				
Employee compensation and benefits	44,187,076	53,160,789	114,710,433	106,816,575
Occupancy and equipment rental	4,389,557	2,749,011	11,219,748	8,321,841
Depreciation and amortization	1,708,195	906,538	4,123,991	3,338,119
Information services	1,993,469	1,635,444	5,166,950	4,381,438
Professional fees	1,633,245	1,688,432	5,865,781	4,672,684
Travel related expenses	2,597,777	1,726,584	7,724,301	5,622,752
Interest expense	636,686	291,300	1,749,068	986,904
Other operating expenses	2,994,547	2,761,412	8,546,205	7,163,447
Total expenses	60,140,552	64,919,510	159,106,477	141,303,760
Income before taxes	23,909,697	51,363,021	57,328,303	90,906,186
Provision for taxes	8,695,516	21,253,312	20,374,614	36,784,688
Consolidated net income	15,214,181	30,109,709	36,953,689	54,121,498
Less: Net income (loss) allocated to noncontrolling interests	744,332	65,490	4,421,914	(113,644)
Net income allocated to common stockholders	$ 14,469,849	$ 30,044,219	$ 32,531,775	$ 54,235,142
Average shares outstanding:				
Basic	30,754,685	29,662,743	30,546,017	29,589,471
Diluted	30,800,556	29,788,164	30,609,821	29,673,149
Earnings per share:				
Basic	$ 0.47	$ 1.01	$ 1.07	$ 1.83
Diluted	$ 0.47	$ 1.01	$ 1.06	$ 1.83
Dividends declared and paid per share	$ 0.45	$ 0.45	$ 1.35	$ 1.35

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
Consolidated net income	$ 15,214,181	$ 30,109,709	$ 36,953,689	$ 54,121,498
Currency translation adjustment, net of tax	20,958,339	1,084,997	6,266,389	8,015,833
Comprehensive income	36,172,520	31,194,706	43,220,078	62,137,331
Less: Net income (loss) allocated to noncontrolling interests	744,332	65,490	4,421,914	(113,644)
Comprehensive income allocated to common stockholders	$ 35,428,188	$ 31,129,216	$ 38,798,164	$ 62,250,975

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

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Greenhill & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity

	Nine Months Ended September 30, 2010 (unaudited)	Year Ended December 31, 2009
Common stock, par value $0.01 per share		
Common stock, beginning of the year	$ 332,543	$ 328,304
Common stock issued	18,496	4,239
Common stock, end of the period	351,039	332,543
Contingent convertible preferred stock, par value $0.01 per share		
Contingent convertible preferred stock, beginning of the year		
Contingent convertible preferred stock issued	46,950,226	
Contingent convertible preferred stock, end of the period	46,950,226	
Restricted stock units		
Restricted stock units, beginning of the year	81,219,868	59,525,357
Restricted stock units recognized	41,221,102	40,526,780
Restricted stock units delivered	(34,016,401)	(18,832,269)
Restricted stock units, end of the period	88,424,569	81,219,868
Additional paid-in capital		
Additional paid-in capital, beginning of the year	237,716,672	213,365,812
Common stock issued	124,745,952	23,603,749
Tax benefit from the delivery of restricted stock units	8,319,445	747,111
Additional paid-in capital, end of the period	370,782,069	237,716,672
Exchangeable shares of subsidiary		
Exchangeable shares of subsidiary, beginning of the year	7,937,414	12,442,555
Exchangeable shares of subsidiary delivered	(1,359,011)	(4,505,141)
Exchangeable shares of subsidiary, end of the period	6,578,403	7,937,414
Retained earnings		
Retained earnings, beginning of the year	206,974,630	189,357,441
Dividends	(42,234,879)	(53,622,825)
Net income allocated to common stockholders	32,531,775	71,240,014
Retained earnings, end of the period	197,271,526	206,974,630
Accumulated other comprehensive loss		
Accumulated other comprehensive loss, beginning of the year	(8,737,728)	(17,408,714)

Currency translation adjustment, net of tax	6,266,389	8,670,986
Accumulated other comprehensive loss, end of the period	(2,471,339)	(8,737,728)
Treasury stock, at cost; par value $0.01 per share		
Treasury stock, beginning of the year	(293,391,405)	(259,361,550)
Repurchased	(36,854,826)	(9,645,599)
Sale of certain merchant banking assets		(24,384,256)
Treasury stock, end of the period	(330,246,231)	(293,391,405)
Total stockholders equity	377,640,262	232,051,994
Noncontrolling interests		
Noncontrolling interests, beginning of the year	1,501,214	1,817,595
Net income (loss) allocated to noncontrolling interests	4,421,914	(82,451)
Contributions from noncontrolling interests	151,387	34,406
Distributions to noncontrolling interests	(1,514,225)	(268,336)
Noncontrolling interests, end of period	4,560,290	1,501,214
Total equity	$ 382,200,552	$ 233,553,208

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

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

	For the Nine Months Ended September 30, 2010	2009
Operating activities:		
Consolidated net income	$ 36,953,689	$ 54,121,498
Adjustments to reconcile consolidated net income to net cash (used in) provided by operating activities:		
Non-cash items included in net income:		
Depreciation and amortization	4,123,991	3,338,119
Net investment (gains) losses	(9,164,756)	(65,692,917)
Restricted stock units recognized and common stock issued	41,376,736	31,015,885
Deferred taxes	1,476,660	(3,866,037)
Recognition of the deferred gain from the sale of certain merchant banking assets	(824,797)	
Changes in operating assets and liabilities:		
Financial advisory fees receivable	(20,359,512)	7,731,498
Due from affiliates	(457,697)	241,409
Other receivables and assets	2,708,279	463,564
Compensation payable	(22,875,687)	8,374,203
Accounts payable and accrued expenses	328,578	(1,384,990)
Taxes payable	8,246,671	5,256,430
Net cash provided by operating activities	41,532,155	39,598,662
Investing activities:		
Purchases of merchant banking investments	(11,536,627)	(6,070,014)
Purchases of investments	(208,026)	(525,000)
Caliburn acquisition, net of cash received	(3,029,527)	
Distributions from investments	7,138,275	5,505,613
Purchases of property and equipment	(3,836,779)	(2,832,234)
Net cash used in investing activities	(11,472,684)	(3,921,635)
Financing activities:		
Proceeds of revolving bank loan	84,875,000	85,875,000
Repayment of revolving bank loan	(59,500,000)	(78,775,000)
Contributions from noncontrolling interests	151,387	18,000
Distributions to noncontrolling interests	(1,514,225)	(124,699)
Dividends paid	(42,234,879)	(41,661,187)
Purchase of treasury stock	(36,854,826)	(8,888,939)
Net tax benefit from the delivery of restricted stock units and payment of dividend equivalents	8,319,445	1,542,541
Net cash used in financing activities	(46,758,098)	(42,014,284)
Effect of exchange rate changes on cash and cash equivalents	(1,008,369)	2,070,052

Net decrease in cash and cash equivalents	(17,706,996)	(4,267,205)
Cash and cash equivalents, beginning of period	74,473,459	62,848,655
Cash and cash equivalents, end of period	$ 56,766,463	$ 58,581,450
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,832,767	$ 948,103
Cash paid for taxes, net of refunds	$ 3,071,595	$ 35,368,762

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

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Greenhill & Co., Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 Organization

Greenhill & Co., Inc., a Delaware corporation, together with its subsidiaries (collectively, the Company), is an independent investment banking firm. The Company acts for clients located throughout the world from offices located in New York, London, Frankfurt, Sydney, Tokyo, Toronto, Chicago, Dallas, Houston, Los Angeles, Melbourne, and San Francisco.

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

Financial advisory, which includes engagements relating to mergers and acquisitions, financing advisory and restructuring, and private equity and real estate capital advisory services; and

Merchant banking, which includes the management of outside capital invested in affiliated merchant banking funds and other similar vehicles, primarily Greenhill Capital Partners (GCP I), Greenhill Capital Partners II (GCP II), Greenhill Capital Partners Europe (GCP Europe), and Greenhill SAV Partners (GSAVP together with GCP I, GCP II and GCP Europe, the Greenhill Funds), and the Company s principal investments in the Greenhill Funds, Iridium Communications Inc. (Iridium), other merchant banking funds and other investments.

The Company s U.S. and international wholly-owned subsidiaries include Greenhill & Co., LLC (G&Co), Greenhill Capital Partners, LLC (GCPLLC), Greenhill Venture Partners, LLC (GVP), Greenhill Aviation Co., LLC (GAC), Greenhill & Co. Europe Holdings Limited (GCE), Greenhill & Co. Holding Canada Ltd (GHC), Greenhill & Co. Japan Ltd. (GCJ) and Greenhill & Co. Australia Holdings Pty Ltd. (GHA). The Company also owns a majority of the interests in Greenhill Capital Partners II, LLC (GCPII LLC). See Note 4 Investments Affiliated Merchant Banking Investments .

G&Co is a registered broker-dealer under the Securities Exchange Act of 1934, as amended, and is registered with the Financial Industry Regulation Authority. 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), Greenhill & Co. Europe LLP (GCEI) and Greenhill Capital Partners Europe LLP (GCPE), through its controlling membership interests. GCI and GCEI are engaged in investment banking activities, principally in Europe, and are subject to regulation by the U.K. Financial Services Authority (FSA). GCPE is also regulated by the FSA and provides investment advisory services to GCP Europe, an affiliated U.K.-based private equity fund that invests in a diversified portfolio of private equity and equity-related investments in mid-market companies located primarily in the United Kingdom and Continental Europe. The majority of the investors in GCP Europe are unaffiliated third parties; however, the Company and its employees have also made investments in GCP Europe.

The Company, through Greenhill & Co. Canada Ltd., a wholly-owned Canadian subsidiary of GHC, engages in investment banking activities in Canada. The Company, through GCJ, engages in investment banking activities in Japan.

On April 1, 2010, Greenhill acquired all the outstanding capital stock of Caliburn Partnership Pty Limited (Caliburn , which was renamed Greenhill Caliburn Pty Limited, Greenhill Caliburn), an Australian-based independent financial advisory firm. The Company, through Greenhill Caliburn, a wholly-owned Australian subsidiary of GHA, engages in investment banking activities in Australia and New Zealand. See Note 3 Acquisition . Greenhill Caliburn is licensed and subject to regulation by the Australian Securities and Investment Commission (ASIC).

GCPLLC is an investment adviser, registered under the Investment Advisers Act of 1940 (IAA). GCPLLC provides investment advisory services to GCP I and GCP II, our U.S. based private equity funds that invest in a diversified portfolio of private equity and equity-related investments. GCPII LLC acts as manager for GCP I, GCP II and GSAVP. The majority of the investors in GCP I and GCP II are unaffiliated third parties; however, the Company and its employees have also made investments in GCP I and GCP II.

GVP is an investment adviser registered under the IAA. GVP provides investment advisory services to GSAVP, our venture fund that invests in early growth stage companies in the tech-enabled and business information services industries. The majority of the investors in GSAVP are unaffiliated third parties; however, the Company and its employees have also made investments in GSAVP.

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

The Company owns an interest in Iridium Communications Inc. (Iridium), formerly GHL Acquisition Corp., a blank check company (GHLAC). See Note 4 Investments Affiliated Merchant Banking Investments .

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 (GAAP) 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. Certain reclassifications have been made to prior period information to conform to current period presentation.

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, GCEI, GCPE, and GCPII LLC, after elimination of all significant inter-company accounts and transactions. In accordance with the accounting pronouncements on the 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 general partners account for their investments in their merchant banking funds under the equity method of accounting. As such, the general partners record their proportionate shares of income (loss) from the underlying merchant banking funds. As the merchant banking funds follow investment company accounting, and generally record all their assets and liabilities at fair value, the general partners investment in merchant banking funds represents an estimation of fair value. 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 the limited partners have certain rights to remove the general partner by a simple majority vote 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, 2009 filed with the Securities and Exchange Commission. The condensed consolidated financial information as of December 31, 2009 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.

Noncontrolling Interests

The Company records the noncontrolling interests of other consolidated entities as equity in the condensed consolidated statements of financial condition. Additionally, the condensed consolidated statements of income separately present income allocated to both noncontrolling interests and common stockholders.

The portion of the consolidated interests in the general partners of the Company s merchant banking funds, which are held directly by employees of the Company, are presented as noncontrolling interests in equity. Additionally, the portion of the consolidated interests in GCP II LLC, which accrues to the benefit of GCP Capital Partners Holdings LLC (GCP Capital), an entity not controlled by the Company, is presented as noncontrolling interest in equity. See Note 4 Investments Affiliated Merchant Banking Investments .

Revenue Recognition

Financial Advisory Fees

The Company recognizes financial advisory fee revenue for mergers and acquisitions or financing advisory and restructuring engagements when the services related to the underlying transactions are completed in accordance with the terms of the engagement letter. The Company recognizes fund placement advisory fees at the time of the client s acceptance of capital or capital commitments in accordance with the terms of the engagement letter. Retainer fees are recognized as financial advisory fee revenue 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. Client reimbursements totaled $1.6 million and $1.2 million for the three months ended September 30, 2010 and 2009 and $3.6 million and $2.7 million for the nine months ended September 30, 2010 and 2009, respectively.

Merchant Banking and Other Investment Revenues

Merchant banking revenues consist of (i) management fees on the Company s merchant banking activities, (ii) gains (or losses) on the Company s investments in merchant banking funds and other principal investment activities, and, if any, (iii) merchant banking profit overrides. See Note 4 Investments Affiliated Merchant Banking Investments .

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

The Company recognizes revenue on its investments in merchant banking funds based on its allocable share of realized and unrealized gains (or losses) reported by such funds. Investments held by merchant banking funds and certain other investments are recorded at estimated fair value. The value of merchant banking fund investments in privately held companies is 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 qualitative and quantitative factors. Discounts may be 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 investments 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 Company s investments are carried on its condensed consolidated statements of financial condition are adjusted to estimated 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 estimated fair value of the investments from period to period.

When certain financial returns are achieved over the life of the fund, the Company recognizes merchant banking profit overrides. Profit overrides are generally calculated as a percentage of the profits over a specified threshold earned by each fund on investments managed on behalf of unaffiliated investors except the Company. When applicable, the profit overrides earned by the Company are recognized on an accrual basis throughout the year. In accordance with the relevant guidance, the Company records as

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revenue the amount that would be due pursuant to the fund agreements at each period end as if the fund agreements were terminated at that date. Overrides are generally calculated on a deal-by-deal basis but are subject to investment performance over the life of each merchant banking fund. We may be required to repay a portion of the overrides paid to the limited partners of the funds in the event a minimum performance level is not achieved by the fund as a whole (we refer to these potential repayments as clawbacks). The Company would be required to establish a reserve for potential clawbacks if it were to determine that the likelihood of a clawback is probable and the amount of the clawback can be reasonably estimated. As of September 30, 2010, the Company believes it is more likely than not that the amount of profit overrides recognized as revenue will be realized and accordingly, the Company has not reserved for any clawback obligations under applicable fund agreements. See Note 4 Investments Affiliated Merchant Banking Investments for further discussion of the merchant banking revenues recognized.

Investments

The Company s investments in its merchant banking funds are recorded under the equity method of accounting based upon the Company s proportionate share of the fair value of the underlying merchant banking fund s net assets. The Company s other investments, which consider the Company s influence or control of the investee, are recorded at estimated fair value or under the equity method of accounting based, in part, upon the Company s proportionate share of the investee s net assets.

Financial Advisory Fees Receivables

Receivables are stated net of an allowance for doubtful accounts. The estimate for the allowance for doubtful accounts is derived by the Company by utilizing past client transaction history and an assessment of the client s creditworthiness. The Company recorded bad debt expense of approximately $0.2 million for the nine months ended September 30, 2010 and released previously recorded bad debt expense of $0.3 million during the nine months ended September 30, 2009.

Restricted Stock Units

The Company accounts for its share-based compensation payments under which the fair value of restricted stock units granted to employees with future service requirements is recorded as compensation expense and generally amortized over a five-year service period following the date of grant. Compensation expense is determined at the date of grant. As the Company expenses the awards, the restricted stock units recognized are recorded within equity. The restricted stock units are reclassed into common stock and additional paid-in capital upon vesting. The Company records dividend equivalent payments, net of estimated forfeitures, on outstanding restricted stock units as a dividend payment and a charge to equity.

Earnings per Share

The Company calculates earnings per share (EPS) by dividing net income allocated to common stockholders by the weighted average number of 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.

Under the treasury method, the number of shares issuable upon the vesting of restricted stock units included in the calculation of diluted earnings per share is the excess, if any, of the number of shares expected to be issued, less the number of shares that could be purchased by the Company with the proceeds to be received upon settlement at the average market closing price during the reporting period. The denominator for basic EPS includes the number of shares deemed issuable due to the vesting of restricted stock units for accounting purposes.

Effective on January 1, 2009, the Company adopted the accounting guidance for determining whether instruments granted in share-based payment transactions are participating securities. Under that guidance, the Company evaluated whether instruments granted in share-based payment transactions are participating securities prior to vesting and therefore need to be included in the earnings allocation in calculating EPS. Additionally, the two-class method requires unvested share-based payment awards that have non-

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forfeitable rights to dividend or dividend equivalents to be treated as a separate class of securities in calculating earnings per share. The adoption of this pronouncement did not have a material effect in calculating earnings per share.

Foreign Currency Translation

Foreign currency assets and liabilities have been translated at rates of exchange prevailing at the end of the periods presented in accordance with the accounting guidance for foreign currency translation. Income and expenses transacted in foreign currency have been translated at average monthly exchange rates during the period. Translation gains and losses are included in the foreign currency translation adjustment included as a component of other comprehensive income (loss) in the condensed consolidated statements of changes in equity. Foreign currency transaction gains and losses are included in the condensed consolidated statements of income.

Goodwill

Goodwill is the cost in excess of the fair value of identifiable net assets at acquisition date. The Company tests its goodwill for impairment at least annually. An impairment loss is triggered if the estimated fair value of an operating unit 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.

Goodwill is translated at the rate of exchange prevailing at the end of the periods presented in accordance with the accounting guidance for foreign currency translation. Any translation gain or loss is included in the foreign currency translation adjustment included as a component of other comprehensive income in the condensed consolidated statement of changes in equity.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the life of the assets. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the life of the asset or the term of the lease. Estimated useful lives of the Company s fixed assets are generally as follows:

Aircraft 7 years

Equipment 4 years

Furniture and fixtures 7 years

Leasehold improvements the lesser of 10 years or the remaining lease term

Provision for Taxes

The Company accounts for taxes in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), Income Taxes (Topic 740), 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 follows the guidelines, pursuant to FASB ASC Topic 740-10, in recognizing, measuring, presenting and disclosing in its financial statements uncertain tax positions taken or expected to be taken on its income tax returns. Income tax expense is based on pre-tax accounting income, including adjustments made for the recognition or derecognition related to uncertain tax positions. The recognition or derecognition of income tax expense related to uncertain tax positions is determined under the guidance as prescribed by FASB ASC Topic 740-10. Deferred tax assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period of change. Management applies the more-likely-than-not criteria included in FASB ASC Topic 740-10 when determining tax benefits.

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Cash and Cash Equivalents

The Company held cash on deposit with financial institutions of $36.6 million and $31.8 million as of September 30, 2010 and December 31, 2009, respectively. 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, 2010 and December 31, 2009, the carrying value of the Company s cash equivalents amounted to $20.2 million and $42.7 million, respectively, which approximated fair value. Cash equivalents primarily consist of money market funds and overnight deposits. At September 30, 2010 and December 31, 2009, cash on deposit of $4.1 million and $0.6 million, respectively, were held by certain financial institutions as compensating balances for outstanding letters of credit. No amounts had been drawn under any of the letters of credit at September 30, 2010 and December 31, 2009, respectively.

The Company maintains its cash and cash equivalents with financial institutions with high credit ratings. The Company maintains deposits in federally insured financial institutions in excess of federally insured (FDIC) limits and in institutions in which deposits are not insured. However, management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Financial Instruments and Fair Value

The Company accounts for financial instruments measured at fair value in accordance with FASB ASC Topic 820, Fair Value Measurements and Disclosures . FASB ASC Topic 820 provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the pronouncement are described below:

Basis of Fair Value Measurement

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly; and

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to FASB ASC Topic 820. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs or instruments which trade infrequently and therefore have little or no price transparency are classified as Level 3.

Derivative Instruments

The Company accounts for warrants under the guidance for accounting for derivative instruments and hedging activities. In accordance with that guidance, the Company records warrants at estimated fair value in the condensed consolidated statements of financial condition with changes in estimated fair value during the period recorded in merchant banking and other investment revenues in the condensed consolidated statements of income.

Subsequent Events

The Company evaluates subsequent events through the date on which financial statements are issued, in accordance with ASU No. 2010-09, Topic 855 Amendments to Certain Recognition and Disclosure Requirements .

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Accounting Developments

In June 2009, the FASB issued an amendment to the accounting and disclosure requirements for the consolidation of variable interest entities. The guidance affects the overall consolidation analysis and requires enhanced disclosures on involvement with variable interest entities. The guidance was effective for fiscal years beginning after November 15, 2009; however, in January 2010, the FASB confirmed its decision to defer the effective date of this guidance for certain reporting enterprises in the asset management industry, including mutual funds, hedge funds, mortgage real estate investment funds, private equity funds and venture capital funds. The deferral is applicable to the Company and will apply until the completion of a joint project between the FASB and the International Accounting Standards Board (IASB) on consolidation accounting, which is expected to be completed in 2010. Accordingly, the deferral resulted in no changes to the Company s financial reporting. The Company will assess the impact of the joint project when completed.

Note 3 Acquisition

On April 1, 2010, pursuant to the Share Sale Agreement, the Company acquired 100% ownership of Caliburn from its founding partners (the Acquisition) in exchange for (i) 1,099,874 shares of Greenhill common stock, with an Acquisition date fair value of $90.2 million and (ii) 1,099,877 shares of contingent convertible preferred stock (Performance Stock) that pays no dividend and, if certain revenue levels are achieved on the third or fifth anniversary of the Acquisition, will convert into additional shares of Greenhill common stock. If those revenue levels are not achieved, the Performance Stock will be cancelled for each such period as of the third and fifth anniversaries of closing, respectively. The fair value of the Performance Stock on the Acquisition date was $47.0 million and has been recorded as a component of equity in accordance with ASC 805.

The Acquisition has been accounted for using the purchase method of accounting and the results of operations for Greenhill Caliburn have been included in the condensed consolidated statement of income from the date of acquisition. The total purchase price of AUS $149.6 million ($137.2 million) has been allocated to the assets acquired and liabilities assumed based on their estimated fair values as of April 1, 2010, the date of the acquisition, as follows (USD in thousands, unaudited):

Assets acquired and liabilities assumed:	
Assets:	
Cash	$ 4,712
Other current assets	3,887
Property and equipment	643
Deferred compensation plan investments	11,295
Deferred tax assets	3,756
Identifiable intangible assets	8,568
Goodwill	127,972
Total assets	160,833
Liabilities:	
Other current liabilities	5,438
Deferred compensation payable	11,295
Due to affiliates	6,861
Total liabilities	23,594
Purchase price	$137,239

The fair value of the identifiable intangible assets acquired, which consist of the trade name, the backlog of investment banking client assignments that existed at the time of the closing, and customer relationships, is based, in part, on a valuation using an income approach, market approach or cost approach, as appropriate, and has been included in other assets on the condensed consolidated statement of financial condition. The estimated fair value ascribed to the identifiable intangible assets will be amortized on a straight-line basis over the estimated remaining useful life of each asset over periods ranging between 2 to 3 years. For the three months and nine months ended September 30, 2010, the Company recorded $0.7 million and $1.5 million, respectively, of amortization expense in respect of these assets. The excess of the purchase price over the fair value of net assets acquired has been recorded as goodwill.

In addition to the equity consideration provided to the sellers, under the terms of the Share Sale Agreement, the selling shareholders and certain other non-founding partners received post closing distributions of accrued profits prior to the acquisition date of approximately AUS $7.6 million ($6.9 million).

In connection with the Acquisition the Company assumed Caliburn s deferred compensation plan and acquired a corresponding amount of investments of approximately AUS $12.3 million ($11.3 million). Under this plan a portion of certain employees compensation was deferred and invested in cash or, at the election of each respective employee, in certain mutual fund investments. The cash and mutual fund investments will be distributed to those employees of Greenhill Caliburn, who were employed on the date of acquisition, over the period 2010 to 2016. As of September 30, 2010 distributions of AUS $4.0 million ($3.5 million) were made from the mutual fund investments since the date of the acquisition in accordance with the terms of the plan. Both the invested assets and the deferred compensation liability relating to this plan have been recorded on the consolidated statement of financial condition as components of other investments and compensation payable, respectively. Subsequent to the Acquisition the Company has discontinued future participation in the plan. See Note 4 Investments Other Investments .

In conjunction with the Acquisition, the Company granted at closing 275,130 restricted stock units to current employees of Greenhill Caliburn. These awards will vest ratably over five years from the date of grant subject to continued employment and will amortize over the service period. In addition, the Company granted at closing 212,625 performance based restricted stock units (Performance RSUs). The Performance RSUs will vest on the third and fifth anniversaries of the closing subject to the achievement of the same revenue targets as the Performance Stock. Amortization of each tranche of the Performance RSUs will begin at the time it is deemed probable that the revenue targets will be achieved and the value of the award at that date will be amortized over the remaining vesting period of each award. If the performance requirements for the Performance RSUs are not achieved the Performance RSUs will be cancelled and no amount will be expensed.

Set forth below are the Company s summary unaudited pro forma results of operations for the three and nine months ended September 30, 2010 and 2009. The unaudited pro forma results of operations for the nine months ended September 30, 2010 include the historical results of the Company and give effect to the Acquisition if it had occurred on January 1, 2010. The unaudited results of operations for the three and nine months ended September 30, 2009 include the historical results of the Company and give effect to the Acquisition if it had occurred on January 1, 2009. See Note 7 Equity and Note 8 Earnings per Share .

The unaudited pro forma results of operations do not purport to represent what the Company s results of operations would actually have been had the Acquisition occurred as of January 1, 2010 or January 1, 2009, as the case may be, or to project the Company s results of operations for any future period. Actual future results may vary considerably based on a variety of factors beyond the Company s control.

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	For the Three Months Ended September 30,	
	2010	2009
	(in millions, unaudited)	
	(actual)	(pro forma)
Revenues	$ 84.1	$ 127.1
Income before taxes	23.9	54.5
Net income allocated to common stockholders	14.5	33.9
Diluted earnings per share	$ 0.47	$ 1.10

	For the Nine Months Ended September 30,	
	2010	2009
	(in millions, unaudited)	
	(pro forma)	
Revenues	$ 220.8	$ 254.6
Income before taxes	57.4	96.5
Net income allocated to common stockholders	32.6	58.2
Diluted earnings per share	$ 1.06	$ 1.89

The pro forma results include (i) an adjustment of Caliburn s compensation expense to Greenhill s historical ratio of compensation expense to revenue for each period presented, (ii) the elimination of professional fees incurred by Caliburn in connection with the Acquisition in the three months ended March 31, 2010, and (iii) the recording of income tax expense resulting from the pro forma adjustments before tax at the Australian effective rate of 30 percent. The calculation of pro forma diluted earnings per share includes 1,099,874 common shares issued to the selling shareholders. The calculation of pro forma diluted shares does not include the contingent convertible preferred shares which may be converted in aggregate to 1,099,877 common shares in the event that Greenhill Caliburn achieves the three and five year revenue thresholds. See Note 8 Earnings Per Share .

Note 4 Investments

Affiliated Merchant Banking Investments

In connection with its plan to separate from the merchant banking business, in December 2009 the Company sold certain assets related to the merchant banking business, including the right to raise subsequent merchant banking funds and a 24% ownership interest in GCPII LLC, to GCP Capital, an entity not controlled by the Company. The Company retained a 76% interest in GCPII LLC. Under the terms of the separation agreement, the general partners of our U.S. merchant banking funds delegated to GCPII LLC their obligation to manage and administer the merchant banking funds during a transition period, which is expected to end in December 2010.

As a result of this transaction, GCPII LLC remained a controlled and consolidated subsidiary of the Company; however, effective in 2010 GCP Capital has a direct non-controlling ownership interest with a preferred economic interest in the first $10 million of profits of GCPII LLC. During the transition period, the excess of GCPII LLC s management fee revenue over amounts incurred for compensation and other operating expenses, which accrues to the benefit of GCP Capital, is presented as noncontrolling interest. During the three and nine months ended September 30, 2010 the allocable amounts earned by GCPII LLC were $0.7 million and $4.4 million, respectively, which fell within the amount of profit threshold that was fully allocable to GCP Capital and has been recorded as noncontrolling interest.

Although the Company will no longer manage the Greenhill Funds after the transition period, the Company retained its existing investments in the Greenhill Funds and will continue to act as the general partner of Greenhill Funds. In addition to recording its direct investments in the affiliated funds, the Company consolidates each general partner in which it has a majority economic interest.

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 or losses from merchant banking and other investment activities are comprised of investment income, realized and unrealized gains or losses from the Company s investment in the Greenhill Funds, Iridium, certain other investments, and the consolidated earnings of the general partner in which it has a majority economic interest, offset by allocated expenses of the funds. That portion of the earnings or losses of the general partner which is held by employees and former employees of the Company is recorded as net income (loss) allocated to noncontrolling interests.

As the general partner, the Company makes investment decisions for the Greenhill Funds and is entitled to receive an override of the profits realized from the funds. When financial returns are achieved over the life of the funds, the Company includes in consolidated merchant banking and other investment revenues all realized and unrealized profit overrides it earns from the Greenhill Funds.

As consideration for the sale of the merchant banking business, the Company received 289,050 shares of its common stock with a value of $24.4 million. The Company recognized a gain of $21.8 million in 2009 and deferred $2.6 million of gain on the sale related to non-compete and trademark licensing agreements, which will be amortized over the period 2010 to 2014. During the three and nine months ended September 30, 2010 deferred gains of $0.3 million and $0.8 million, respectively, were recognized.

The Company s merchant banking and other investment revenues, by source, are as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in thousands, unaudited)			
Management fees	$ 2,618	$ 4,199	$ 10,682	$ 13,153
Net realized and unrealized gains (losses) on investments in merchant banking funds	1,155	4,477	1,676	(1,756)
Net realized and unrealized merchant banking profit overrides	(6)	(700)	84	(300)
Net unrealized gain (loss) on investment in Iridium	(17,223)	66,454	7,679	69,060
Other realized and unrealized investment income (loss)	390	(539)	550	(1,311)
Total merchant banking and other investment revenues	$ (13,066)	$ 73,891	$ 20,671	$ 78,846

The carrying value of the Company s investments in affiliated merchant banking funds is as follows:

	As of September 30, 2010 (in thousands, unaudited)	As of December 31, 2009 (in thousands, audited)
Investment in GCP I	$ 2,703	$ 3,147
Investment in GCP II	54,371	51,189
Investment in GSAVP	3,838	3,867

Investment in GCPE		16,566		13,641
Total investments in affiliated merchant banking funds	$	77,478	$	71,844

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At September 30, 2010 and December 31, 2009, the investment in GCP I included $0.2 million and $0.3 million, respectively, related to the noncontrolling interests in the managing general partner of GCP I held directly by various employees of the Company. At both September 30, 2010 and December 31, 2009, the investment in GCP II included $1.2 million related to the noncontrolling interests in the general partner of GCP II held directly by various employees of the Company. Additionally, at September 30, 2010, GCP Capital s undistributed noncontrolling interest was $3.0 million.

Approximately $0.2 million of the Company s compensation payable related to profit overrides for unrealized gains of the Greenhill Funds at both September 30, 2010 and December 31, 2009. This amount may increase or decrease depending on the change in the fair value of the Greenhill Funds portfolio, and is payable, subject to clawback, at the time the funds realize cash proceeds.

At September 30, 2010, the Company had unfunded commitments of $31.9 million to certain of the Greenhill Funds, which included unfunded commitments to GCP II of $8.2 million, which may be drawn down for follow-on investments through June 2012. However, it is not expected that this commitment will be drawn down in full. The Company has unfunded commitments to GSAVP of $4.0 million which may be drawn through September 2011, and unfunded commitments to GCP Europe of $19.7 million (or £12.5 million) which may be drawn through December 2012.

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

	As of September 30, 2010 (in thousands, unaudited)	As of December 31, 2009 (in thousands, audited)
Cash	$ 3,879	$ 6,047
Portfolio investments	14,256	15,756
Total assets	18,135	21,803
Total liabilities	2,053	151
Partners capital	16,082	21,652

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in thousands, unaudited)			
Net realized and unrealized gains on investments	$ 479	$ 323	$ 110	$ 4,868
Investment income	2	1	4	22
Expenses	(34)	(103)	(212)	(431)
Net income (loss)	$ 447	$ 221	$ (98)	$ 4,459

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

	As of September 30, 2010	As of December 31, 2009

	(in thousands, unaudited)	(in thousands, audited)
Cash	$ 64,908	$ 25,762
Portfolio investments	456,341	506,773
Total assets	521,314	532,864
Total liabilities	644	46,943
Partners capital	520,670	485,921

	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009
	(in thousands, unaudited)			
Net realized and unrealized gains (losses) on investments	$ 16,381	$ 44,251	$ 29,696	$ (19,405)
Investment income	404	688	6,626	5,262
Expenses	(1,002)	(3,076)	(6,961)	(7,389)
Net income (loss)	$ 15,783	$ 41,863	$ 29,361	$ (21,532)

Other Investments

The Company has other principal investments including investments in Iridium, other merchant banking funds and other investments. The Company s other investments are as follows:

	As of September 30, 2010 (in thousands, unaudited)	As of December 31, 2009 (in thousands, audited)
Iridium Common Stock (formerly GHLAC Common Stock)	$ 76,211	$ 68,077
Iridium $11.50 Warrants	7,440	8,015
Barrow Street Capital III, LLC	2,357	2,425
Deferred compensation plan investments	8,143	
Total other investments	$ 94,151	$ 78,517

In November 2007, the Company purchased 11,500,000 units of GHLAC for $25,000. In February 2008, the Company completed the initial public offering of units in GHLAC, and in conjunction therewith, forfeited 3,130,437 units. Each unit consisted of one share of GHLAC s common stock (GHLAC Common Stock) and one warrant (the Founder Warrants). At the time of the public offering, the Company purchased 8,000,000 private placement warrants for a purchase price of $8.0 million (the GHLAC Private Placement Warrants , together with the Founder Warrants, the GHLAC Warrants). In October 2008, GCE invested $22.9 million in Iridium Holdings LLC in the form of a convertible subordinated note (the Iridium 5% Convertible Note), which was unsecured and accrued interest at the rate of 5% per annum starting six months after the date of issuance and had a maturity date of October 24, 2015. On September 29, 2009, GHLAC completed its acquisition of Iridium Holdings LLC. The combined company was renamed Iridium Communications Inc. (Iridium), and in October 2009, the Company converted the Iridium 5% Convertible Note into 1,995,629 common shares of Iridium (Iridium Common Stock) (NASDAQ: IRDM).

Prior to the completion of the acquisition of Iridium by GHLAC, the Company s fully diluted ownership in GHLAC was approximately 17%. Effective upon the closing of the acquisition of Iridium by GHLAC, the Company agreed to (1) forfeit 1,441,176 shares of GHLAC common stock, (2) forfeit 8,369,563 Founder Warrants, (3) forfeit 4,000,000 GHLAC Private Placement Warrants, and (4) exchange 4,000,000 GHLAC Private Placement Warrants for restructured warrants with a strike price of $11.50 per share and an expiration date of February 15, 2015.

At September 30, 2010 and December 31, 2009, the Company owned 8,924,016 shares of Iridium Common Stock and warrants to purchase 4,000,000 additional shares of Iridium Common Stock at $11.50 per share (Iridium $11.50 Warrants) (NASDAQ : IRDMZ) and the Company s fully diluted ownership in Iridium was approximately 12%. Both the Iridium Common Stock and the Iridium $11.50 Warrants were restricted from sale until March 29, 2010. During the period March 30, 2010 through September 29, 2010, the Company was permitted to sell its investment in Iridium as part of a registered secondary offering if authorized by Iridium s board of directors. As of September 29, 2010, all contractual restrictions on the sale of the Company s investments in Iridium lapsed.

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At September 30, 2010 the Company s investment in Iridium Common Stock was valued at quoted market price. At September 30, 2009 and at December 31, 2009, the carrying value of the investments in Iridium Common Stock was valued at its closing market price discounted for legal and contractual restrictions on the sale of securities held by the Company. Prior to the acquisition of Iridium, the Company s interest in GHLAC Common Stock was accounted for under the equity method as the Company maintained and exercised significant influence over the entity as defined by ASC 323. Upon closing of the acquisition of Iridium by GHLAC, the Company relinquished certain GHLAC board and management positions to Iridium. As such, the Company is no longer deemed to maintain or exercise significant influence over GHLAC and therefore changed its method of accounting for its investment in GHLAC from the equity method to fair value as trading securities under ASC 320.

Since the closing of the acquisition of Iridium, an active trading market has not existed for the Iridium $11.50 Warrants and accordingly at September 30, 2010 and September 30, 2009, the Company used an internally developed model to value such warrants which takes into account various standard option valuation methodologies, including Black Scholes modeling. Selected inputs for the Company s model include: (1) the terms of the warrants, including exercise price, exercisability threshold and expiration date; and (2) externally observable factors including the trading price of Iridium shares, yields on U.S. Treasury obligations and various equity volatility measures, including historical volatility of broad market indices.

At September 30, 2009, the Company determined the value of the Iridium 5% Convertible Note based upon Iridium s financial position, liquidity, operating results and the terms of the note and other qualitative and quantitative factors.

The Company committed $5.0 million to Barrow Street Capital III, LLC (Barrow Street III), a real estate investment fund, of which $0.3 million remains unfunded at September 30, 2010. The unfunded amount may be called at any time prior to the expiration of the fund in 2013 to preserve or enhance the value of existing investments.

The deferred compensation plan investments are related to Greenhill Caliburn s legacy deferred compensation plan acquired in the Acquisition. The amounts are invested in both cash and equity mutual fund investments managed by a third party and will be distributed to the participants during the period 2010 to 2016. Subsequent to the Acquisition the Company has discontinued future participation in this deferred compensation plan. See Note 3 Acquisition .

Fair Value Hierarchy

The following tables set forth by level assets and liabilities measured at fair value on a recurring basis. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Assets Measured at Fair Value on a Recurring Basis as of September 30, 2010

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance as of September 30, 2010
		(in thousands, unaudited)		
Assets				
Iridium Common Stock	$ 76,211	$	$	$ 76,211
Iridium $11.50 Warrants			7,440	7,440
Deferred compensation plan investments		8,143		8,143
Total investments	$ 76,211	$ 8,143	$ 7,440	$ 91,794

Assets Measured at Fair Value on a Recurring Basis as of December 31, 2009

	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)		Balance as of December 31, 2009
			(in thousands, unaudited)				
Assets							
Iridium Common Stock	$	$	68,077	$		$	68,077
Iridium $11.50 Warrants					8,015		8,015
Total investments	$	$	68,077	$	8,015	$	76,092

At December 31, 2009, the Company valued the Iridium Common Stock at its quoted market price, discounted for legal and contractual restrictions on sale, and accordingly it was recorded as level 2 investments. Effective March 31, 2010 and for subsequent periods the Company recorded its investment in Iridium without a market discount and accordingly, recorded such investment as a level 1 investment.

The value of the deferred compensation plan investments assumed in the Acquisition consists of both cash and equity mutual fund investments, which have been recorded at net asset value, and has been recorded as a level 2 investment.

Level 1 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Company s level 1 investments for the three months ended September 30, 2010.

	Beginning Balance July 1, 2010	Realized Gains or (Losses)	Unrealized Gains or (Losses)	Purchases, Sales, Other Settlements and Issuances, net	Net Transfers in and/or out of Level 1	Ending Balance September 30, 2010
			(in thousands, unaudited)			
Assets						
Iridium Common Stock	$ 89,597	$	$ (13,386)	$	$	$ 76,211
Total investments	$ 89,597	$	$ (13,386)	$	$	$ 76,211

The following table sets forth a summary of changes in the fair value of the Company s level 1 investments for the nine months ended September 30, 2010.

	Beginning			Purchases, Sales, Other	Net	

	Balance January 1, 2010	Realized Gains or (Losses)	Unrealized Gains or (Losses)	Settlements and Issuances, net	Transfers in and/or out of Level 1	Ending Balance September 30, 2010
			(in thousands, unaudited)			
Assets						
Iridium Common Stock	$	$	$ 3,837	$	$ 72,374	$ 76,211
Total investments	$	$	$ 3,837	$	$ 72,374	$ 76,211

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Level 2 Gains and Losses

The following table sets forth a summary of changes in the fair value of the Company s level 2 investments for the three months ended September 30, 2010.

	Beginning Balance July 1, 2010	Realized Gains or (Losses)	Unrealized Gains or (Losses)	Purchases, Sales, Other Settlements and Issuances, net	Net Transfers in and/or out of Level 2	Ending Balance September 30, 2010
			(in thousands, unaudited)			
Assets						
Deferred compensation plan investments	$	$	$	$ 8,143	$	$ 8,143
Total investments	$	$	$	$ 8,143	$	$ 8,143

The following table sets forth a summary of changes in the fair value of the Company s level 2 investments for the nine months ended September 30, 2010.

	Beginning Balance January 1, 2010	Realized Gains or (Losses)	Unrealized Gains or (Losses)	Purchases, Sales, Other Settlements and Issuances, net	Net Transfers in and/or out of Level 2	Ending Balance September 30, 2010
			(in thousands, unaudited)			
Assets						
Iridium Common Stock	$ 68,077	$	$ 4,297	$	$ (72,374)	$
Deferred compensation plan investments				8,143		8,143
Total investments	$ 68,077	$	$ 4,297	$ 8,143	$ (72,374)	$ 8,143

Level 3 Gains and Losses

The following tables set forth a summary of changes in the fair value of the Company s level 3 investments for the three and nine months ended September 30, 2010, respectively.

	Beginning Balance July 1, 2010	Realized Gains or (Losses)	Unrealized Gains or (Losses)	Purchases, Sales, Other Settlements and Issuances, net	Net Transfers in and/or out of Level 3	Ending Balance September 30, 2010

			(in thousands, unaudited)			
Assets						
Iridium $11.50 Warrants	$ 10,280	$	$ (2,840)	$	$	$ 7,440
Total investments	$ 10,280	$	$ (2,840)	$	$	$ 7,440

	Beginning Balance January 1, 2010	Realized Gains or (Losses)	Unrealized Gains or (Losses)	Purchases, Sales, Other Settlements and Issuances, net	Net Transfers in and/or out of Level 3	Ending Balance September 30, 2010
			(in thousands, unaudited)			
Assets						
Iridium $11.50 Warrants	$ 8,015	$	$ (575)	$	$	$ 7,440
Total investments	$ 8,015	$	$ (575)	$	$	$ 7,440

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The following tables set forth a summary of changes in the fair value of the Company s level 3 investments for the three and nine months ended September 30, 2009, respectively.

	Beginning Balance July 1, 2009	Realized Gains or (Losses)	Unrealized Gains or (Losses)	Purchases, Sales, Other Settlements and Issuances, net	Net Transfers in and/or out of Level 3	Ending Balance September 30, 2009
			(in thousands, unaudited)			
Assets						
Iridium $11.50 Warrants	$	$	$	$ 11,135	$	$ 11,135
Iridium 5% Convertible Note	22,900		(2,471)			20,429
GHLAC Warrants	13,749			(13,749)		
Total investments	$ 36,649	$	$ (2,471)	$ (2,614)	$	$ 31,564

	Beginning Balance January 1, 2009	Realized Gains or (Losses)	Unrealized Gains or (Losses)	Purchases, Sales, Other Settlements and Issuances, net	Net Transfers in and/or out of Level 3	Ending Balance September 30, 2009
			(in thousands, unaudited)			
Assets						
Iridium $11.50 Warrants	$	$	$	$ 11,135	$	$ 11,135
Iridium 5% Convertible Note	22,900		(2,471)			20,429
GHLAC Warrants	8,295		5,454	(13,749)		
Total investments	$ 31,195	$	$ 2,983	$ (2,614)	$	$ 31,564

Note 5 Related Parties

At September 30, 2010, the Company had receivables of $0.3 million due from the Greenhill Funds relating to expense reimbursements, which are included in due from affiliates. At December 31, 2009, the Company had receivables of $0.2 million and payables of $0.4 million due to the Greenhill Funds relating to accrued management fees and expense reimbursements, which are included in due to affiliates. See Note 1 Organization .

Included in accounts payable and accrued expenses are $0.3 million at September 30, 2010 and December 31, 2009, respectively, of interest payable on the undistributed earnings to the U.K. members of GCI. See Note 1 Organization .

Under the terms of the Share Sale Agreement the selling shareholder and certain non-founding partners of Caliburn were paid post closing distributions of accrued profits prior to the acquisition date of approximately AUS $7.6 million

($6.9 million). See Note 3 Acquisition .

In conjunction with the sale of certain assets of the merchant banking business, the Company agreed to sublease to GCP Capital office space for a period of three to five years beginning in January 2011. The Company did not recognize any revenue related to the sublease during the nine months ended September 30, 2010. See Note 4 Investments Affiliated Merchant Banking Investments .

Note 6 Revolving Bank Loan Facility

At September 30, 2010, the Company had a $75.0 million revolving loan facility from a U.S. banking institution to provide for working capital needs, facilitate the funding of investments, and for other general corporate purposes. The revolving loan facility is secured by all management fees earned by GCPLLC, GCPII LLC and GVP, any cash distributed in respect of its partnership interests in GCP I and GCP II or GSAVP, as applicable, and cash distributions from G&Co, and is subject to a borrowing base limitation. The maturity date of the facility is April 30, 2011. Effective December 31, 2010 the commitment amount will be reduced to $60.0 million. Interest on borrowings are based on the higher of Prime Rate or 4.0% and is payable monthly. In addition, the revolving loan facility has a prohibition on the incurrence of additional indebtedness without the prior approval of the lenders and the Company is required to comply with certain financial and liquidity covenants. The weighted average daily borrowings outstanding under the loan facility were approximately $57.2 million and $31.8 million for the nine months ended September 30, 2010 and 2009, respectively. The weighted average interest rates were 4.0% for both periods ended September 30, 2010 and 2009. At September 30, 2010, the Company was compliant with all loan covenants.

Note 7 Equity

In connection with the acquisition of Caliburn on April 1, 2010 the Company issued 1,099,874 shares of its common stock and 1,099,877 contingent convertible preferred shares. The contingent convertible preferred shares do not pay dividends and will convert to shares of the Company s common stock if certain revenue targets are achieved. If the performance targets are not achieved the contingent convertible preferred shares will be cancelled. See Note 3 Acquisition and Note 8 Earnings Per Share .

On September 15, 2010, a dividend of $0.45 per share was paid to shareholders of record on September 1, 2010. During the nine months ended September 30, 2010 and 2009, dividend equivalents of $3.8 million and $3.4 million, respectively, were paid on the restricted stock units that are expected to vest.

During the nine months ended September 30, 2010, 724,869 restricted stock units vested and were issued as common stock of which the Company is deemed to have repurchased 312,870 shares at an average price of $78.21 per share in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units. In addition, during the nine months ended September 30, 2010, the Company repurchased in open market transactions 181,550 shares of its common stock at an average price of $68.21.

During the nine months ended September 30, 2009, 322,641 restricted stock units vested and were issued as common stock of which the Company is deemed to have repurchased 129,708 shares at an average price of $68.53 per share in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units. There were no shares of common stock repurchased in open market transactions during the nine months ended September 30, 2009.

Note 8 Earnings Per Share

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in thousands, except per share amounts, unaudited)			
Numerator for basic and diluted EPS net income allocated to common stockholders	$ 14,470	$ 30,044	$ 32,532	$ 54,235
Denominator for basic EPS weighted average number of shares	30,755	29,663	30,546	29,589
Add dilutive effect of:				
Weighted average number of incremental shares issuable from restricted stock units	46	125	64	84

Denominator for diluted EPS weighted average number of shares and dilutive potential shares	30,801	29,788	30,610	29,673
Earnings per share:				
Basic	$ 0.47	$ 1.01	$ 1.07	$ 1.83
Diluted	$ 0.47	$ 1.01	$ 1.06	$ 1.83

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The weighted number of shares and dilutive potential shares do not include the contingent convertible preferred shares. Such shares will potentially convert to shares of the Company s common stock in tranches of 659,926 shares and 439,951 shares on the third and fifth anniversary of the closing of the Acquisition, respectively, if certain revenue targets are achieved. At the time a revenue target is achieved such shares will be included in the Company s share count. If the performance target for each tranche are not achieved the contingent convertible preferred shares in that tranche will be cancelled. See Note 3 Acquisition .

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.

Based on the Company s historical taxable income and its expectation for taxable income in the future, management expects that the deferred tax asset, which relates principally to compensation expense deducted for book purposes but not yet deducted for tax purposes, will be realized as offsets to (i) the realization of its deferred tax liabilities, which is principally comprised of unrealized gains on investments, and (ii) future taxable income. Included in other receivables in the condensed consolidated statements of financial condition are income taxes receivable of $1.3 million and $1.7 million as of September 30, 2010 and December 31, 2009, respectively. Included in accrued expenses and other liabilities are current income taxes payable of $13.5 million and $0.0 million as of September 30, 2010 and December 31, 2009, respectively.

Any gain or loss resulting from the translation of deferred taxes for foreign affiliates is included in the foreign currency translation adjustment incorporated as a component of other comprehensive income, net of tax, in the condensed consolidated statement of changes in equity.

The Company performed a tax analysis as of September 30, 2010 and December 31, 2009, and determined that there was no requirement to accrue any liabilities, pursuant to FASB ASC 740-10.

Note 10 Regulatory Requirements

Certain subsidiaries of the Company are subject to various regulatory requirements in the United States, United Kingdom and Australia, 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, 2010, G&Co s net capital was $10.5 million, which exceeded its requirement by $10.0 million. G&Co s aggregate indebtedness to net capital ratio was 0.68 to 1 at September 30, 2010. Certain advances, distributions and other capital withdrawals of G&Co are subject to certain notifications and restrictive provisions of the Rule.

GCI, GCEI and GCPE are subject to capital requirements of the FSA. Greenhill Caliburn is subject to capital requirements of the ASIC. As of September 30, 2010, each of GCI, GCEI, GCPE and Greenhill Caliburn was in compliance with its local capital adequacy requirements.

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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 engagements relating to mergers and acquisitions, financing advisory and restructuring, and private equity and real estate capital advisory services; and

Merchant banking, which includes the management of outside capital invested in the Greenhill Funds and the Company s investments in such funds and other principal investments.

The following provides a breakdown of our aggregate revenues by source for the three and nine month periods ended September 30, 2010 and 2009, respectively:

	For the Three Months Ended			
	September 30, 2010		September 30, 2009	
	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Financial advisory fees	$ 97.0	NM	$ 42.4	36%
Merchant banking and other investment revenues	(12.9)	NM	73.9	64%
Total revenues	$ 84.1	100%	$ 116.3	100%

	For the Nine Months Ended			
	September 30, 2010		September 30, 2009	
	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Financial advisory fees	$ 195.5	90%	$ 153.0	66%
Merchant banking and other investment revenues	20.9	10%	79.2	34%
Total revenues	$ 216.4	100%	$ 232.2	100%

Through December 2009, the Company s financial advisory and merchant banking activities were closely aligned and had 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. Through 2009, the Company s professionals and employees were treated as a common pool of available resources and the related compensation and other Company costs were 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. Under the terms of the separation agreement among the Company and GCP Capital, the Company will continue to manage and administer the affiliated merchant funds during a transition period which is expected to end in December 2010. During that transition period, the Company has designated specific employees who will be dedicated to the merchant banking activities and established a system of measuring the operating costs of the merchant banking business. Under the agreed upon arrangement, effective in 2010 GCP Capital has a direct non-controlling ownership interest with a preferred economic interest in the first $10 million of profits of GCPII LLC. During that transition period, the excess of management fee revenue over the amount paid for compensation and other operating expenses associated with the management of the affiliated funds that accrues to the benefit of GCP Capital is treated by the Company as noncontrolling interest. See Note 4 Investments Affiliated Merchant Banking Investments .

Note 12 Subsequent Event

On October 20, 2010, the Board of Directors of the Company declared a quarterly dividend of $0.45 per share. The dividend will be payable on December 15, 2010 to the common stockholders of record on December 1, 2010.

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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 us 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 , intend , predict , potential or continue , the negative of these terms and other 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. In particular, you should consider the numerous risks outlined under Risk Factors in our 2009 Report on Form 10-K and subsequent Forms 8-K.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. 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 of this filing to conform our prior statements to actual results or revised expectations.

Overview

Greenhill is a leading independent investment bank focused on providing financial advice on significant mergers, acquisitions, restructurings, financings and capital raising to corporations, partnerships, institutions and governments. We act for clients located throughout the world from our offices in New York, London, Frankfurt, Sydney, Tokyo, Toronto, Chicago, Dallas, Houston, Los Angeles, Melbourne and San Francisco.

In the financial advisory business, the main driver of our revenues is overall mergers and acquisitions, or M&A, and restructuring volume, particularly in the industry sectors and geographic markets in which we focus. Additionally, our private capital advisory and real estate capital advisory groups provide fund placement and other capital raising advisory services. We have recruited and plan to continue to recruit new Managing Directors to expand our industry sector and geographic coverage. On April 1, 2010, we acquired the Australian advisory firm Caliburn Partnership Pty Limited (Caliburn), with six Managing Directors and 40 total employees. Caliburn has established a strong position in that market over its 11 year history and operates in Australia and New Zealand under the name Greenhill Caliburn. At the time of its acquisition by the firm, Caliburn had advised on more than AUS $170 billion of transactions since its founding in 1999, and had revenue for its fiscal years ended June 30, 2009, 2008 and 2007 of AUS $68.0 million, AUS $80.9 million and AUS $80.8 million, respectively. Additionally, we further expanded our advisory business in 2010 with the addition of four Managing Directors and 11 total employees dedicated to the real estate capital advisory group and one Managing Director focused on the European energy sector. As of the end of the most recent quarter we had 64 client facing Managing Directors globally.

We also currently manage merchant banking funds and similar vehicles, although we expect to separate from that business effective December 31, 2010 in order to focus entirely on our financial advisory business going forward. GCP Capital Partners Holding LLC (GCP Capital), a new entity which is independent from the firm, will take over management of the merchant banking funds. During the

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remainder of 2010 the firm will continue to recognize management fee revenue and expenses related to the operation of funds. After the separation of the business we no longer expect to generate any fee revenue and expenses from the management of these funds.

While we will no longer manage the merchant banking funds after a transition period we will retain our existing investments in the merchant banking funds and will continue to recognize gains and losses on our investments on a quarterly basis until such investments are realized over time. In particular, we will retain our existing principal investments in the merchant banking funds as well as our investment in Iridium Communications, Inc. (Iridium) (NASDAQ: IRDM), of which we owned approximately 12% as of September 30, 2010. We intend to liquidate our direct investments in the merchant banking funds and our investment in Iridium over time. During the period that we hold our investments we will continue to record realized and unrealized changes in the fair value of such investments, the size and timing of which are tied to a number of different factors including the performance of the particular companies in which we invest, general economic conditions in the debt and equity markets and other factors which affect the industries in which we invest. Adverse changes in general economic conditions, commodity prices, credit and public equity markets, including a decline in the share price of Iridium, could negatively impact the amount of financial advisory and merchant banking revenue realized by the firm. See Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations Merchant Banking and Other Investment Revenues .

Business Environment

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

Financial advisory revenues were $97.0 million in the third quarter of 2010 compared to $42.4 million in the third quarter of 2009, which represents an increase of 129%. For the nine months ended September 30, 2010, advisory revenues were $195.5 million compared to $153.0 million for the comparable period in 2009, representing an increase of 28%. At the same time, worldwide completed M&A volume increased by 7%, from $1,200.4 billion in 2009 to $1,287.2 billion in 2010[1].

Since July 2007, the financial markets have experienced a sharp contraction in credit availability and global M&A activity. The capital markets volatility and uncertain macroeconomic outlook of the last few years have further contributed to a volatile and uncertain environment for evaluating many assets, securities and companies, which has created a more difficult environment for M&A and fundraising activity. There is considerable uncertainty as to how much longer this difficult economic environment may last. Because we earn a majority of our financial advisory revenue from fees that are dependent on the successful completion of a merger, acquisition, restructuring or similar transaction or the closing of a fund, our financial advisory business has been negatively impacted and may be further impacted by a both a reduction in M&A activity and a lengthening of the completion time of transactions.

During the past three years we have substantially expanded our geographic reach, our industry sector expertise and the total number of employees focused on our financial advisory business. We believe that our simple business model as an independent, unconflicted adviser will continue to create opportunities for us to attract new clients and provide us with excellent recruiting opportunities to further expand our industry expertise and geographic reach. Furthermore, we believe that we are well positioned to benefit if general transaction and fund raising activity returns towards historic normal levels.

1 Source: Global M&A completed transaction volume for the nine months ended September 30,

2010 as compared to the nine months ended September 30, 2009. Source: Thomson Financial as of October 7, 2010.

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Results of Operations

Summary

Our revenues of $84.1 million for the third quarter of 2010 compare with revenues of $116.3 million for the third quarter of 2009, which represents a decrease of $32.2 million or 28%. Financial advisory revenues for the third quarter 2010 were $97.0 million as compared to $42.4 million for the same period in 2009, or up 129%. However, total revenues for the period were down versus the prior year, primarily due to an unrealized investment gain of $66.5 million in the third quarter of 2009 from our investment in Iridium.

For the nine months ended September 30, 2010, revenues were $216.4 million, compared to $232.2 million for the comparable period in 2009, representing a decrease of $15.8 million, or 7%. Financial advisory revenues for the nine months ended September 30, 2010 were $195.5 million compared to $153.0 million, or up 28%, over the same period in 2009, but total revenues for the year-to-date period in 2009 included an unrealized investment gain of $69.1 million from Iridium.

For the third quarter 2010 we earned net income available to common stockholders of $14.5 million and diluted earnings per share of $0.47 as compared to net income available to common stockholders of $30.0 million and $1.01 of diluted earnings per share for the quarter ended September 30, 2009. For the nine months ended September 30, 2010 we earned net income available to common stockholders of $32.5 million and diluted earnings per share of $1.06 as compared to net income available to common stockholders of $54.2 million and diluted earnings per share of $1.83 for the same period in 2009.

Our quarterly revenues and net income can fluctuate materially depending on the number and size of completed transactions on which we advised, the number and size of investment gains (or losses) and other factors. Accordingly, the revenues and net income in any particular period may not be indicative of future results.

Revenues By Source

The following provides a breakdown of total revenues by source for the three month and nine month periods ended September 30, 2010 and 2009, respectively:

Revenue by Principal Source of Revenue

	For the Three Months Ended			
	September 30, 2010		September 30, 2009	
	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Financial advisory fees	$ 97.0	NM	$ 42.4	36%
Merchant banking and other investment revenues	(12.9)	NM	73.9	64%
Total revenues	$ 84.1	100%	$ 116.3	100%

	For the Nine Months Ended			
	September 30, 2010		September 30, 2009	
	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Financial advisory fees	$ 195.5	90%	$ 153.0	66%
Merchant banking and other investment revenues	20.9	10%	79.2	34%
Total revenues	$ 216.4	100%	$ 232.2	100%

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Financial Advisory Revenues

Financial advisory revenues primarily consist of financial advisory and transaction related fees earned in connection with advising companies in mergers, acquisitions, restructurings or similar transactions. We earned $97.0 million in financial advisory revenues in the third quarter of 2010 compared to $42.4 million in the third quarter of 2009, which represents an increase of 129%. The increase in our financial advisory fees in the third quarter of 2010 as compared to the same period in 2009 reflected a significant increase in the volume and scale of completed assignments. During the quarter we also advised a private equity fund client, on its fundraising, which efforts are continuing.

For the nine months ended September 30, 2010, advisory revenues were $195.5 million compared to $153.0 million for the comparable period in 2009, representing an increase of 28%. The increase in our advisory revenues for the nine months ended September 30, 2010 as compared to the same period in the prior year reflected an increase in the volume of both completed transactions and strategic advisory assignments and related retainer fees.

Financial advisory assignments completed in the third quarter of 2010 included:

- the sale of the domestic network outsourcing business of AT&T Japan (an AT&T Inc. company) to Internet Initiative Japan;
- the acquisition of Aevum Ltd. by Stockland Corp. Ltd;
- the sale of certain packaging assets by Bemis Company, Inc. to Exopack Holding Company;
- the business combination of eAccess Ltd. with Emobile Ltd.;
- the acquisition by Emerson Electric Co. of Chloride Group plc;
- the sale of Emerson Electric Co. s LANDesk Software to Thoma Bravo;
- the strategic alliance of Kohl s Corporation s private label credit card business with Capital One Financial Corporation;
- the acquisition of Lihir Gold Limited by Newcrest Mining Ltd;
- the sale of Media Monitors to Quadrant Private Equity;
- the sale of Scott Wilson plc to URS Corporation;
- the sale of an interest in Stroz Friedberg LLC to New Mountain Capital;
- the acquisition by Sun Pharmaceutical Industry Ltd. of Taro Pharmaceutical Industries; and
- the sale of USEN Corporation s subsidiary Intelligence Ltd. to Kohlberg Kravis Roberts & Co. L.P.

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Merchant Banking and Other Investment Revenues

In connection with our plan to separate from the merchant banking business, in December 2009 we sold certain assets related to the merchant banking business, including the right to raise subsequent merchant banking funds and a non-controlling ownership interest in our subsidiary, Greenhill Capital Partners II LLC (GCP II LLC), to GCP Capital, an entity not controlled by us. Under the terms of the separation agreement GCP II LLC will manage and administer the merchant banking funds during a transition period, which is expected to end on December 31, 2010. After the transition period GCP Capital will take over management of the merchant banking funds and we no longer expect to earn management fee revenue or incur expenses from the management of the funds. During 2010 we will continue to record the revenues and expenses related to our management of the merchant banking funds in our consolidated results. However, during that period GCP Capital has a preferred economic interest in the first $10 million of profits of GCP II LLC and accordingly, the excess of management fee revenue over amounts incurred for compensation and other operating expenses that accrues to the benefit of GCP Capital is presented as noncontrolling interest. During the three and nine months ended September 30, 2010 the allocable amounts earned by GCP II LLC were $0.7 million and $4.4 million, respectively, which fell within the amount of profit threshold that was fully allocable to GCP Capital and has been recorded as noncontrolling interest. Although we will no longer manage the merchant banking funds after the transition period, we will retain our existing investments in the merchant banking funds and will continue to act as the general partner of the existing funds. See Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources .

Our merchant banking activities currently consist primarily of the management of and our investments in Greenhill s merchant banking funds and our investment in Iridium. The following table sets forth additional information relating to our merchant banking and other investment revenues:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	(in millions, unaudited)			
Management fees	$ 2.6	$ 4.2	$ 10.7	$ 13.2
Net realized and unrealized gains (losses) on investments in merchant banking funds	1.2	4.5	1.7	(1.8)
Net realized and unrealized merchant banking profit overrides	0.0	(0.7)	0.1	(0.3)
Net unrealized gain (loss)on investment in Iridium	(17.2)	66.5	7.7	69.1
Other realized and unrealized investment income (loss)	0.4	(0.6)	0.5	(1.3)
Interest income	0.1	0.0	0.2	0.3
Total merchant banking and other investment revenues	$ (12.9)	$ 73.9	$ 20.9	$ 79.2

The firm recorded negative $(12.9) million in merchant banking and other investment revenues in the third quarter of 2010 compared to $73.9 million in the third quarter of 2009. The year-to-year decrease in revenue of $86.8 million principally resulted from the large unrealized gain we recorded in our investment in Iridium during the third quarter of 2009, at the time of the business combination of GHL Acquisition Corp. and Iridium, as compared to a mark-to-market investment loss recorded on Iridium in the third quarter of 2010. During the three months ended September 30, 2010 our other merchant banking ga