GREENHILL & CO INC
Form 10-K
February 26, 2010

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

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

Registrant s telephone number, including area code: (212) 389-1500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x

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 x 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 o No x

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 x	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 Act). Yes o No x

The aggregate market value of the common stock held by non-affiliates of the registrant, computed by reference to the closing price as of the last business day of the registrant s most recently completed second fiscal quarter, June 30, 2009, was approximately $1.479 million. The registrant has no non-voting stock.

As of February 19, 2010, 28,315,131 shares of the Registrant s common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s definitive proxy statement to be delivered to stockholders in connection with the 2010 annual meeting of stockholders to be held on April 21, 2010 are incorporated by reference in response to Part III of this Report.

TABLE OF CONTENTS

PART I

When we use the terms Greenhill , we , us , our , the company , and the firm , we mean Greenhill & Co., Inc., a Delaware corporation, and its consolidated subsidiaries. Our principal financial advisory subsidiaries are Greenhill & Co., LLC, a registered broker-dealer regulated by the Securities and Exchange Commission which provides investment banking and fund placement advisory services in North America; Greenhill & Co. International LLP and Greenhill & Co. Europe LLP, each of which provides investment banking services in Europe and is regulated by the United Kingdom Financial Services Authority; and Greenhill & Co. Canada Ltd. and Greenhill & Co. Japan Ltd., each of which provides investment banking services in Canada and Japan, respectively. Our principal merchant banking subsidiaries are Greenhill Capital Partners, LLC and Greenhill Venture Partners, LLC, each of which is a registered investment adviser regulated by the Securities and Exchange Commission through which we conduct our North American merchant banking business; and Greenhill Capital Partners Europe LLP, an investment adviser regulated by the United Kingdom Financial Services Authority through which we conduct our European merchant banking business.

Item 1. Business

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 its offices in New York, London, Frankfurt, Tokyo, Toronto, Chicago, Dallas, Houston, Los Angeles and San Francisco.

We also manage merchant banking funds and similar vehicles, although in the fourth quarter of 2009 we announced our intention to separate from our merchant banking business in order to focus entirely on our financial advisory business going forward. In connection with that decision we sold certain assets of our merchant banking business (including the right to raise successor funds) to certain of our employees engaged in that business. After a transition period our merchant banking funds will be managed by subsidiaries of GCP Capital Partners Holdings LLC, which is principally owned by Robert H. Niehaus, Chairman and founder of Greenhill Capital Partners, LLC (with no ownership by the firm).

We were established in 1996 by Robert F. Greenhill, the former President of Morgan Stanley and former Chairman and Chief Executive Officer of Smith Barney. Since our founding, Greenhill has grown steadily, recruiting a number of managing directors from major investment banks (as well as senior professionals from other institutions), with a range of geographic, industry and transaction specialties as well as different sets of corporate management and other relationships. As part of this expansion, we opened a London office in 1998, opened a Frankfurt office in 2000 and began offering financial restructuring advice in 2001. On May 11, 2004, we converted from a limited liability company to a corporation, and completed an initial public offering of our common stock. We opened our Dallas office in 2005 and our Toronto office in 2006. In 2008, we opened offices in Chicago, San Francisco and Tokyo, and we entered the fund placement advisory business. We opened our Houston and Los Angeles offices in the summer of 2009.

In our merchant banking business, we raised our first U.S. fund in 2000 and our second U.S. merchant banking fund in 2005. We raised our first venture capital fund in 2006 and our first European merchant banking fund in 2007. We completed the initial public offering of our special purpose acquisition company, GHL Acquisition Corp., in 2008, and that entity merged with Iridium Communications, Inc. in 2009. As noted above, after a transition period, management of our active funds will transfer to subsidiaries of GCP Capital Partners Holdings LLC. We will retain our existing principal investments in the merchant banking funds and intend to liquidate those investments over time.

Table of Contents

As of December 31, 2009, we had 61 managing directors and 8 senior advisors globally, including 6 managing directors dedicated to the merchant banking business, and we had 290 employees, including 27 employees dedicated to the merchant banking business.

Principal Sources of Revenue

Our principal sources of revenues are financial advisory and merchant banking.

	For the Year Ended December 31,				
	2009	2008	2007	2006	2005
			(In millions)		
Financial advisory fees	$ 216.0	$ 218.2	$ 366.7	$ 209.8	$ 142.1
Merchant banking and other revenues(1)	82.6	3.7	33.7	80.8	79.1
Total revenues	$ 298.6	$ 221.9	$ 400.4	$ 290.6	$ 221.2

(1) Merchant banking and other revenues includes (i) interest income of $0.3 million, $3.6 million, $5.4 million, $3.1 million, and $2.9 million in 2009, 2008, 2007, 2006, and 2005, respectively, (ii) unrealized gains from our investment in Iridium Communications, Inc. (formerly GHL Acquisition Corp.) of $42.2 million and $2.6 million in 2009 and 2008, respectively, and (iii) a gain of $21.8 million in 2009 from the sale of certain assets of the merchant banking business.

Financial Advisory

Our financial advisory business consists of mergers and acquisitions, financing advisory and restructuring, and fund placement advisory. For all of our financial advisory services, we draw on the extensive experience, corporate relationships and industry expertise of our managing directors and senior advisors.

On mergers and acquisitions engagements, we provide a broad range of advice to global clients in relation to domestic and cross-border mergers, acquisitions, and similar corporate finance matters and are generally involved at each stage of these transactions, from initial structuring to final execution. Our focus is on providing high-quality advice to senior executive management and boards of directors of prominent large and mid-cap companies in transactions that typically are of the highest strategic and financial importance to those companies. We advise clients on strategic matters, including acquisitions, divestitures, defensive tactics, special committee assignments and other important corporate events. We provide advice on valuation, tactics, industry dynamics, structuring alternatives, timing and pricing of transactions, and financing alternatives. Where requested to do so, we may provide an opinion regarding the fairness of a transaction.

In our financing advisory and restructuring practice, we advise debtors, creditors and companies experiencing financial distress as well as potential acquirers of distressed companies and assets. We provide advice on valuation, restructuring alternatives, capital structures, and sales or recapitalizations. We also assist those clients who seek court-assisted reorganizations by developing and seeking approval for plans of reorganization as well as the implementation of such plans.

In our fund placement advisory practice we assist private equity funds and other financial sponsors in raising capital from a global set of institutional and other investors.

Financial advisory revenues accounted for 72% and 98% of our total revenues in 2009 and 2008, respectively. Non-U.S. clients are a significant part of our business, generating 35% and 47% of our financial advisory revenues in 2009 and 2008, respectively. We generate revenues from our financial advisory services by charging our clients fees consisting principally of fees paid upon the commencement of an engagement, fees paid upon the announcement of a transaction, fees paid upon the successful conclusion of a transaction or closing of a fund and, in connection principally with restructuring assignments, monthly retainer fees.

Merchant Banking and Other Investments

Our merchant banking activities consist primarily of management of and investment in Greenhill s merchant banking funds, Greenhill Capital Partners I (or GCP I), Greenhill Capital Partners II (or GCP II , and collectively with GCP I, Greenhill Capital Partners or GCP), Greenhill SAV Partners (or GSAVP) and Greenhill Capital Partners Europe (or GCP Europe), which are families of merchant banking funds that invest in portfolio companies. Merchant banking funds are private investment funds raised from contributions by qualified institutional investors and financially sophisticated individuals. The funds generally make investments in non-public companies, typically with a view toward divesting within 3 to 5 years. On December 22, 2009, in connection with our plan to exit from the merchant banking business, we announced that we had sold certain assets relating to our merchant banking business to Robert H. Niehaus, the chairman and founder of Greenhill Capital Partners, and V. Frank Pottow, a member of the Investment Committee of Greenhill Capital Partners, for 289,050 shares of Greenhill common stock. Following a transition period which is expected to end in December 2010 in the case of GCP, a new, independent firm, GCP Capital Partners Holdings LLC, formed by Messrs. Niehaus and Pottow will take over the management of our merchant banking funds. The firm will retain its existing investments in the merchant banking funds. Merchant banking and other revenue accounted for 28% and 2% of our revenues in 2009 and 2008, respectively. We generate merchant banking revenue from (i) management fees paid by the funds we manage, (ii) gains (or losses) on our investments in the merchant banking funds and (iii) merchant banking profit overrides. We generate other investment revenue from gains (or losses) on other principal investment activities, principally Iridium Communications, Inc., and from interest income. During 2009 we recognized revenue of $42.2 million from our investment in Iridium and $21.8 million from the sale of certain assets of our merchant banking business.

We charge management fees in GCP II, GSAVP and GCP Europe to all investors except the firm. In GCP I, we charge management fees to all outside investors who are not employed or affiliated with us. We may also generate gains (or losses) from our capital investment in our merchant banking funds depending upon the performance of the funds. Our investments in our merchant banking funds generate realized and unrealized investment gains (or losses) based on our allocable share of earnings generated by the funds. As the general partner of our merchant banking funds, we make investment decisions for the funds and are entitled to receive an override on the profits of the funds after certain performance hurdles are met. As a result of our plan to exit the merchant banking business the fees we generate from the management of outside capital in our merchant banking funds will decline over time, and the percentage of any merchant banking profit overrides on investments made by the merchant banking funds after January 1, 2010, to which the firm would be entitled if any such overrides were to be realized, will be reduced from 10 out of 20 points to 1 out of 20 points.

The firm has committed $87.6 million, or approximately 10% of the fund s capital, to GCP II. The firm has committed $10.9 million, or approximately 11% of the fund s capital, to GSAVP and $40.4 million (or £25 million), or approximately 13% of the fund s capital, to GCP Europe. As of December 31, 2009, GCP II, GSAVP and GCP Europe had drawn approximately 82%, 46%, and 39% of their committed capital, respectively. In addition, the firm has agreed to commit $5.0 million to a successor fund to GCP II and $2.5 million to a successor fund to GSAVP, subject to certain conditions, payable over five years from the date of inception of each fund.

In February 2008 we completed the initial public offering of units in our subsidiary GHL Acquisition Corp. (which we refer to as GHLAC), a blank check company. In September 2009 GHLAC completed its acquisition of Iridium Holdings LLC. The combined company was renamed Iridium Communications Inc. (Iridium). Effective upon the completion of the acquisition of Iridium we valued our investment at its public market price discounted for legal and contractual restrictions on sale. At December 31, 2009, the firm owned 8,924,016 common shares of Iridium (Iridium Common Stock) (NASDAQ IRDM) and warrants to purchase 4,000,000 additional shares of Iridium Common Stock at $11.50 per share (Iridium $11.50 Warrants) (NASDAQ IRDMZ), or approximately 12% of the Iridium Common

Stock on a fully diluted basis.

Employees

Our managing directors and senior advisors have an average of 25 years of relevant experience, which they use to advise on mergers and acquisitions, financing advisory and restructuring transactions, and fund placement. We spend significant amounts of time training and mentoring our junior professionals. We generally provide our junior professionals with exposure to mergers and acquisitions and financing advisory and restructurings to varying degrees, which provides us with the flexibility to allocate resources depending on the economic environment, and provides our bankers consistent transactional experience and a wide variety of experiences to assist in the development of business and financial judgment.

As of December 31, 2009, Greenhill employed a total of 290 people (including our managing directors and senior advisors), of which 187 were located in our North American offices, 93 were based in our European offices and 10 in our Asian office. We had 27 employees who were active in our merchant banking activities. The vast majority of our finance, operational and administrative employees are located in the United States. We strive to maintain a work environment that fosters professionalism, excellence, diversity, and cooperation among our employees worldwide. We utilize a comprehensive evaluation process at the end of each year to measure performance, determine compensation and provide guidance on opportunities for improved performance.

Competition

In our financial advisory services business, we operate in a highly competitive environment where there are no long-term contracted sources of revenue. Each revenue-generating engagement is separately awarded and negotiated. Our list of clients with whom there is an active revenue-generating engagement changes continually. To develop new client relationships, and to develop new engagements from historic client relationships, we maintain a business dialogue with a large number of clients and potential clients, as well as with their financial and legal advisors, on an ongoing basis. We have gained a significant number of new clients each year through our business development initiatives, through recruiting additional senior investment banking professionals who bring with them client relationships and expertise in certain industry sectors and through referrals from members of boards of directors, attorneys and other parties with whom we have relationships. At the same time, we lose clients each year as a result of the sale or merger of a client, a change in a client s senior management, competition from other investment banks and other causes.

The financial services industry is intensely competitive, and we expect it to remain so. Our competitors are global universal banking firms, mid-sized full service financial firms and specialized financial advisory firms. We compete with some of our competitors globally and with some others on a regional, product or niche basis. We compete on the basis of a number of factors, including transaction execution skills, our range of products and services, innovation, reputation and price.

Over the years there has been substantial consolidation and convergence among companies in the financial services industry. In particular, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired broker-dealers or have merged with other financial institutions. Beginning in 2008, this trend of consolidation and convergence accelerated considerably as several major U.S. financial institutions consolidated, filed for bankruptcy protection, or were forced to merge. Many of these firms have the ability to offer a wider range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services, which may enhance their competitive position. They also have the ability to support investment banking and securities products with commercial banking, insurance and other financial services revenues in an effort to gain market share, which could result in pricing pressure in our businesses. This trend toward consolidation and convergence has significantly increased the capital base and geographic reach of our competitors. In addition to our larger competitors, over the last few years, a number of new, smaller independent boutique investment banks have emerged which offer independent advisory services on a model similar to ours and some of these firms have grown rapidly.

Table of Contents

We believe our primary competitors in securing mergers and acquisitions and financing advisory and restructuring engagements are Bank of America Corporation, Citigroup Inc., Credit Suisse Holdings (USA), Inc., Goldman Sachs Group, Inc., JPMorgan Chase & Co., Morgan Stanley, UBS A.G. and other bulge bracket firms as well as investment banking firms such as Blackstone Group, Evercore Partners Inc., Jefferies Group, Inc., Lazard Ltd. and other closely held independent firms.

Competition is also intense for the hiring and retention of qualified employees. Our ability to continue to compete effectively in our business will depend upon our ability to attract new employees and retain and motivate our existing employees.

Regulation

Our business, as well as the financial services industry generally, is subject to extensive regulation in the United States, Europe and elsewhere. As a matter of public policy, regulatory bodies in the United States and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. In the United States, the Securities and Exchange Commission (SEC) is the federal agency responsible for the administration of the federal securities laws. Greenhill & Co., LLC, a wholly-owned subsidiary of Greenhill through which we conduct our U.S. financial advisory business, is registered as a broker-dealer with the SEC and the Financial Industry Regulatory Authority (FINRA), and in all 50 states and the District of Columbia. Greenhill & Co., LLC is subject to regulation and oversight by the SEC. In addition, FINRA, a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities, of its member firms, including Greenhill & Co., LLC. State securities regulators also have regulatory or oversight authority over Greenhill & Co., LLC. Similarly, Greenhill & Co. International LLP and Greenhill & Co. Europe LLP, our controlled affiliated partnerships with offices in the United Kingdom and Germany, respectively, through which we conduct our European financial advisory business, are licensed by and also subject to regulation by the United Kingdom s Financial Services Authority (FSA). Our business may also be subject to regulation by non-U.S. governmental and regulatory bodies and self-regulatory authorities in other countries where Greenhill operates.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers funds and securities, capital structure, record-keeping, the financing of customers purchases and the conduct and qualifications of directors, officers and employees. Additional legislation, changes in rules promulgated by self-regulatory organizations or changes in the interpretation or enforcement of existing laws and rules, either in the United States or elsewhere, may directly affect the mode of operation and profitability of Greenhill.

The U.S. and non-U.S. government agencies and self-regulatory organizations, as well as state securities commissions in the United States, are empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or its directors, officers or employees.

In addition, Greenhill Capital Partners, LLC and Greenhill Venture Partners, LLC are registered investment advisers under the Investment Advisers Act of 1940. As such, they are subject to regulation and periodic examinations by the SEC. Greenhill Capital Partners Europe LLP is licensed by and subject to regulation by the United Kingdom s FSA.

Where You Can Find Additional 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. The firm s 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 our 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.

Item 1A. Risk Factors

Our ability to retain our senior managing directors is critical to the success of our business

The success of our business depends upon the personal reputation, judgment, business generation capabilities and project execution skills of our managing directors and senior advisors, particularly our senior managing directors. Founded in 1996, our business has a more limited operating history than many of our competitors and, as a result, our managing directors personal reputations and relationships with our clients are a critical element in obtaining and maintaining client engagements, and forming and investing merchant banking funds. Accordingly, the retention of our managing directors is particularly crucial to our future success. The departure or other loss of Mr. Greenhill, our founder and Chairman, or the departure or other loss of other senior managing directors, each of whom manages substantial client relationships and possesses substantial experience and expertise, could materially adversely affect our ability to secure and successfully complete engagements and conduct our merchant banking business, which would materially adversely affect our results of operations.

In addition, if any of our managing directors were to join an existing competitor or form a competing company, some of our clients could choose to use the services of that competitor instead of our services. There is no guarantee that the compensation arrangements and non-competition agreements we have entered into with our managing directors are sufficiently broad or effective to prevent our managing directors from resigning to join our competitors or that the non-competition agreements would be upheld if we were to seek to enforce our rights under these agreements.

A significant portion of our revenues are derived from financial advisory fees

We have historically earned a significant portion of our revenues from financial advisory fees paid to us by our clients, in large part upon the successful completion of the client s transaction, restructuring or fund raising. Financial advisory revenues represented 72% and 98% of our total revenues in 2009 and 2008, respectively. Unlike diversified investment banks, we only have one other significant alternative source of revenue which will decline as we exit the merchant banking business, and lack such other sources of revenue as securities trading or underwriting. As a result our reliance on financial advisory fees will increase and a decline in our financial advisory engagements or the market for advisory services generally would have a material adverse effect on our business and results of operations.

Our business has been adversely affected by difficult market conditions and may continue to be adversely affected by market uncertainty, disruptions in the credit markets and other unfavorable economic, geopolitical or market conditions

Adverse market and economic conditions in 2009 affected the number and size of transactions on which we provided mergers and acquisitions advice and therefore adversely affected our financial advisory fees. In 2009, worldwide completed M&A volume decreased by 40%, from $2,855 billion in

2008 to $1,725 billion in 2009[1]. Our clients engaging in mergers and acquisitions often rely on access to the credit markets to finance their transactions. The lack of available credit and the increased cost of credit can adversely affect the size, volume, timing and ability of our clients to successfully complete merger and acquisition transactions and adversely affect our financial advisory business. The continuing market volatility also affects our clients ability and willingness to engage in stock-for-stock transactions. Accordingly, we expect that the lack of liquidity and general uncertainty about economic and market activities may continue to adversely impact our business.

For most of 2009, the United States, Canada, Europe and Asia continued to be impacted by economic recessions. As our operations in the United States and Europe historically have provided most of our revenues and earnings, our revenues and profitability are particularly affected by economic conditions in these locations.

Adverse market or economic conditions, including continuing volatility in the commodities markets, limited access to credit as well as a slowdown of activity in the companies in which we have investments could also adversely affect the business operations of those companies, and therefore, our earnings. In addition, during a market downturn, there may be fewer opportunities to exit and realize value from our merchant banking and other principal investments.

In the event of a continued economic downturn, revenues from mergers and acquisitions advisory activities may decline further, and it is unlikely that revenues from financing advisory and restructuring activities will fully offset any such decline

During a period when mergers and acquisitions activity declines and debt defaults increase, we increasingly rely on financing advisory and restructuring and bankruptcy services as a source of new business. We provide various restructuring and restructuring-related advice to companies in financial distress or their creditors or other stakeholders. A number of factors affect demand for these advisory services, including general economic conditions and the availability and cost of debt and equity financing. Presently, our financing advisory and restructuring business is significantly smaller than our mergers and acquisitions advisory business, and it is unlikely that we will be able to offset a decline in mergers and acquisitions revenue with revenue generated from financing advisory and restructuring assignments.

The requirement of Section 327 of the U.S. Bankruptcy Code requiring that one be a disinterested person to be employed in a restructuring was modified in 2007 to allow a person not to be disqualified solely by virtue of its status as an underwriter of securities. The disinterested person definition of the U.S. Bankruptcy Code, as previously in effect, disqualified certain of our competitors. The revised definition has allowed more financial services firms to compete for restructuring engagements as well as with respect to the recruitment and retention of professionals. If our competitors succeed in being retained in new restructuring engagements, our financing advisory and restructuring practice, and thereby our results of operations, could be materially adversely affected.

If demand for our financing advisory and restructuring services decreases, we could suffer a decline in revenues, which could lower our overall profitability materially.

Our merger and acquisition and financing advisory and restructuring engagements are singular in nature and do not provide for subsequent engagements

Our clients generally retain us on a non-exclusive, short-term, engagement-by-engagement basis in connection with specific merger or acquisition transactions or financing advisory and restructuring projects, rather than under long-term contracts covering potential additional future services. As these transactions are singular in nature and our engagements are not likely to recur, we must seek out new engagements when our current engagements are successfully completed or are terminated. As a result, high activity levels in any period are not necessarily indicative of continued high levels of activity in the next-succeeding or any other period. In addition, when an engagement is terminated, whether due

(1) Source: Global M&A completed transaction volume for the year ended December 31, 2009 as compared to the year ended December 31, 2008. Source: Thompson Financial as of January 19, 2010.

Table of Contents

to the cancellation of a transaction due to market reasons or otherwise, we may earn limited or no fees and may not be able to recoup the costs that we incurred prior to that termination.

A high percentage of our financial advisory revenues are derived from a few clients and the termination of any one financial advisory engagement could reduce our revenues and harm our operating results

Each year, we advise a limited number of clients. Our top ten client engagements accounted for 41% of our total revenues in 2009 and 54% of our total revenues in 2008. Our single largest client engagement accounted for approximately 10% of our total revenues in 2009 and 2008, respectively. While the composition of the group comprising our largest clients varies significantly from year to year, we expect that our financial advisory engagements will continue to be limited to a relatively small number of clients and that an even smaller number of those clients will account for a high percentage of revenues in any particular year. As a result, the adverse impact on our results of operation of one lost engagement or the failure of one transaction or restructuring on which we are advising to be completed can be significant.

Investment gains from our merchant banking funds and other principal investments vary from period to period; these gains may not recur and may not be replaced by other gains; our investments may lose money

We have principal investments in our merchant banking funds (which in turn have a limited number of investments in portfolio companies) and we have a principal investment in Iridium. The fair value of these investments may appreciate (or depreciate) at different rates based on a variety of factors, including changes in the fair value of such investments. In 2009, the firm recognized a net gain from our investment in Iridium that accounted for more than 10% of total revenues. There were no gains (or losses) from any single investment that accounted for more than 10% of total revenues in 2008. Historically, gains (or losses) from investments have been significantly impacted by market factors, specific industry conditions and other factors beyond our control, and we cannot predict the timing or size of any such gains (or losses) in future periods. The lack of investment gains (and any losses which may be attributable to the investments in our merchant banking portfolio or in Iridium) and the volatility of changes in investment values may adversely affect our results of operations and our stock price.

A significant portion of the value of our investment portfolio is comprised of our investment in Iridium. A significant decline in the value of Iridium can therefore give rise to significant losses.

There will not be a consistent pattern in our financial results from quarter to quarter, which may result in increased volatility of our stock price

We can experience significant variations in revenues and profits during the year. These variations can generally be attributed to the fact that our revenues are usually earned in large amounts throughout the year upon the successful completion of a transaction or restructuring or closing of a fund, the timing of which is uncertain and is not subject to our control. Moreover, the timing of our recognition of gains or losses from our investment portfolio may vary significantly from period to period and depends on a number of factors beyond our control, including most notably market and general economic conditions.

Compared to our larger, more diversified competitors in the financial services industry, we generally experience even greater variations in our revenues and profits. This is due to our dependence on a relatively small number of transactions for most of our revenues, with the result that our earnings can be significantly affected if any particular transaction is not completed successfully, and to the fact that we lack other, more stable sources of revenue in material amounts, such as brokerage and asset management fees, which could moderate some of the volatility in financial advisory revenues. In addition, investments are reported at estimated fair value at the end of each quarter. The value of our investments may increase or decrease significantly depending upon market factors that are beyond our

control. As a result, it may be difficult for us to achieve steady earnings growth on a quarterly basis, which could adversely affect our stock price.

In many cases we are not paid for financial advisory engagements that do not result in the successful consummation of a transaction or restructuring or closing of a fund. As a result, our business is highly dependent on market conditions and the decisions and actions of our clients and interested third parties. For example, a client could delay or terminate a transaction because of a failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or shareholder approvals, failure to secure necessary financing, or adverse market conditions. Anticipated bidders for assets of a client during a restructuring transaction may not materialize or our client may not be able to restructure its operations or indebtedness due to a failure to reach agreement with its principal creditors. In these circumstances, we may not receive any financial advisory fees, other than the reimbursement of certain out-of-pocket expenses. The failure of the parties to complete a transaction on which we are advising, and the consequent loss of revenue to us, could lead to large adverse movements in our stock price.

Our investment portfolio contains investments in high-risk, illiquid assets

Given the nature of our investments, there is a significant risk that we will be unable to realize our investment objectives by sale or other disposition at attractive prices or will otherwise be unable to complete any exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the company in which the investment is made, changes in technology, changes in national or international economic conditions or changes in laws, regulations, fiscal policies or political conditions of countries in which investments are made.

Our merchant banking funds will typically invest in securities of a class that are not publicly-traded. In many cases we may be prohibited by contract or by applicable securities laws from selling such securities for a period of time or otherwise be restricted from disposing of such securities. We will generally not be able to sell these securities publicly unless their sale is registered under applicable securities laws, or unless an exemption from such registration requirements is available.

Moreover, in cases where we hold publicly traded securities such as our investment in Iridium, we may be further limited in our ability to sell such securities if we sit on the board of directors of the company. In particular, our ability to dispose of investments is heavily dependent on the merger and acquisition environment and the initial public offering market, which fluctuates in terms of both the volume of transactions as well as the types of companies which are able to access the market. Furthermore, the types of investments made may require a substantial length of time to liquidate.

In addition, our investments are reported at estimated fair value at the end of each quarter and our allocable share of these gains or losses will affect our revenue, which could increase the volatility of our quarterly earnings, even though such gains or losses may have no cash impact. It generally takes a substantial period of time to realize the cash value of our principal investments. Even if an investment proves to be profitable, it may be several years or longer before any profits can be realized in cash from such investment.

We value our merchant banking portfolio and other investments each quarter using a fair value methodology, which could result in gains or losses to the firm; the fair value methodology may over- or under-state the ultimate value we will realize

As of December 31, 2009, the value of the firm s principal investment in its merchant banking funds and Iridium was $150.4 million. The value of our investments is recorded at estimated fair value and is determined on a quarterly basis 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 quantitative and qualitative factors, and in the case of publicly traded securities, the closing price of the security on the last day of the relevant period discounted for any legal or contractual restrictions on sale. Significant changes in the public equity markets and/or the operating results of the portfolio companies of the merchant banking funds and other principal investments may have a material effect on the fair value of our principal investments and therefore on our revenues and profitability during any reporting period. The estimated fair value at which the principal investments are carried on our books may vary significantly from period to period depending on a number of factors beyond our control. It may not be possible to sell these investments at the estimated fair values attributed to them in our financial statements.

Investors in our merchant banking funds may elect to remove us as the general partner of those funds at any time without cause. Such removal would lead to a decrease in our revenues, which could be substantial and lead, therefore, to a material adverse effect on our business

The third-party investors in our merchant funds may, subject to certain conditions, act at any time to remove us as the general partner in those funds without cause, resulting in reduction in the amounts of profit overrides we could earn from those funds. In addition to the negative impact on our revenue, the occurrence of such an event with respect to any of our funds would likely result in significant reputational damages as well.

A significant deterioration in the credit markets or the failure of one or more banking institutions could adversely affect our ability to access the cash invested by us

A significant portion of our assets consist of cash and cash equivalents. We have invested these assets in instruments which we believe are highly liquid, and monitor developments relating to the liquidity of these investments on a regular basis, but in the event of a significant deterioration of the credit markets or the failure of one or more banking institutions, there can be no assurance that we will be able to liquidate these assets or access our cash. Our inability to access our cash investments could have a material adverse effect on our liquidity and result in a charge to our earnings which could have a material adverse effect on the value of our stock.

Our inability to refinance our existing revolving credit facility could adversely affect our operations. We have a revolving loan commitment from a U.S. commercial bank which currently expires on March 31, 2010 and has been extended to April 30, 2011, subject to completion of documentation. The commitment amount is currently $90.0 million and reduces to $75.0 million effective April 30, 2010 and $60.0 million effective December 31, 2010. At December 31, 2009 we had $37.2 million drawn down from the facility. We utilize the revolving loan facility to provide for our domestic cash needs, which include the funding of capital calls for GCP and GSAVP, dividend payments, share repurchases and for other corporate purposes.

We generally roll over the maturity date of our revolving loan facility annually. Our inability to extend the maturity date of the loan or renew the facility on acceptable terms with the existing lender could require us to repay all or a portion of the loan balance outstanding at maturity. There is no assurance, if our credit facility is not renewed with the current lender, that we would be able to obtain a new credit facility from a different lender. In order to repay the outstanding balance of our credit facility, we could be required to repatriate funds to the U.S., liquidate some of our principal investments or issue additional securities, in each case on terms which may not be favorable to us. Our inability to refinance the loan facility could have a material adverse effect on our liquidity and result in our inability to meet our obligations, which could have a material adverse effect on our stock price.

We face strong competition from far larger firms and other independent firms

The investment banking industry is intensely competitive and we expect it to remain so. We compete on the basis of a number of factors, including the quality of our advice and service, innovation, reputation and price. We believe we may experience pricing pressures in our areas of operation in the future as some of our competitors seek to obtain market share by reducing prices. We are a relatively small investment bank, with 290 employees (including managing directors and senior advisors) as of December 31, 2009 and total revenues of $298.6 million in 2009. Most of our competitors in the investment banking industry have a far greater range of products and services, greater financial and marketing resources, larger customer bases, greater name recognition, more managing directors to

Table of Contents

serve their clients needs, greater global reach and more established relationships with their customers than we have. These larger and better capitalized competitors may be better able to respond to changes in the investment banking market, to compete for skilled professionals, to finance acquisitions, to fund internal growth and to compete for market share generally.

The scale of our competitors has increased over the years as a result of substantial consolidation among companies in the investment banking industry. Since 2008, this trend of consolidation and convergence accelerated considerably as several major U.S. financial institutions consolidated, filed for bankruptcy protection, were forced to merge or received substantial government assistance. In addition, a number of large commercial banks, insurance companies and other broad-based financial services firms have established or acquired financial advisory practices and broker-dealers or have merged with other financial institutions. Many of these firms have the ability to offer a wide range of products, from loans, deposit-taking and insurance to brokerage, asset management and investment banking services, which may enhance their competitive position. They also have the ability to support investment banking with commercial banking, insurance and other financial services revenues in an effort to gain market share, which could result in pricing pressure in our businesses. In particular, the ability to provide financing as well as advisory services has become an important advantage for some of our larger competitors, and because we are unable to provide such financing we may be unable to compete for advisory clients in a significant part of the advisory market. In addition to our larger competitors, over the last few years, a number of new, smaller independent boutique investment banks have emerged which offer independent advisory services on a model similar to ours and some of these firms have grown rapidly.

Strategic investments, acquisitions and joint ventures, or foreign expansion may result in additional risks and uncertainties in our business

We intend to grow our core business through both recruiting and internal expansion and through strategic investments, acquisitions or joint ventures. In the event we make strategic investments or acquisitions or enter into joint ventures, we face numerous risks and uncertainties combining or integrating the relevant businesses and systems, including the need to combine accounting and data processing systems and management controls. In the case of joint ventures, we are subject to additional risks and uncertainties in that we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control. In addition, conflicts or disagreements between us and our joint venture partners may negatively impact our business.

To the extent that we pursue business opportunities outside the United States, we will be subject to political, economic, legal, operational and other risks that are inherent in operating in a foreign country, including risks of possible nationalization, expropriation, price controls, capital controls, exchange controls and other restrictive governmental actions, as well as the outbreak of hostilities. In many countries, the laws and regulations applicable to the financial services industries are uncertain and evolving, and it may be difficult for us to determine the exact requirements of local laws in every market. Our inability to remain in compliance with local laws in a particular foreign market could have a significant and negative effect not only on our businesses in that market but also on our reputation generally.

To fund our growth we may consider a range of financing alternatives. If we expand by recruiting new managing directors, we will incur compensation, occupancy, integration and business development costs. Depending upon the extent of our recruiting, such costs may be funded from cash from operations or other financing alternatives. If we expand by strategic investment, acquisition or joint venture, depending upon the size of the acquisition we may fund such expansion through internally generated cash flow, proceeds from bank or other borrowings, or the issuance of equity. There can be no assurance that the firm will be able to generate or obtain sufficient capital on acceptable terms to fund its expansion needs which would limit the future growth of the business.

Greenhill s managing directors own a significant portion of the common stock of the firm and their interests may differ from those of our public shareholders

Our managing directors and their affiliated entities collectively own approximately 22% of the total shares of common stock outstanding at December 31, 2009. Robert F. Greenhill and members of his family beneficially own approximately 8% of our common stock outstanding. In addition, we have issued restricted stock units to our managing directors which, if fully vested as of December 31, 2009, would have resulted in our managing directors and their affiliates owning approximately 28% of our shares of common stock.

As a result of these shareholdings, Robert F. Greenhill and our other employees currently are able to exercise significant influence over the election of our entire board of directors, the management and policies of Greenhill and the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of the assets of Greenhill.

Employee misconduct could harm Greenhill and is difficult to detect and deter

There have been a number of highly publicized cases involving fraud, insider trading or other misconduct by employees in the financial services industry in recent years and we run the risk that employee misconduct could occur at our firm. For example, misconduct by employees could involve the improper use or disclosure of confidential information, which could result in regulatory sanctions and serious reputational or financial harm. Our financial advisory business often requires that we deal with client confidences of the greatest significance to our clients, improper use of which may have a material adverse impact on our clients. Any breach of our clients confidences as a result of employee misconduct may impair our ability to attract and retain advisory clients. It is not always possible to deter employee misconduct and the precautions we take to detect and prevent this activity may not be effective in all cases.

We may face damage to our professional reputation and legal liability to our clients and affected third parties if our services are not regarded as satisfactory

As an investment banking firm, we depend to a large extent on our relationships with our clients and our reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services, it may be more damaging in our business than in other businesses. Moreover, our role as advisor to our clients on important mergers and acquisitions or restructuring transactions involves complex analysis and the exercise of professional judgment, including rendering fairness opinions in connection with mergers and other transactions. Our activities may subject us to the risk of significant legal liabilities to our clients and aggrieved third parties, including shareholders of our clients who could bring actions against us. In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial intermediaries have been increasing. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Our engagements typically include broad indemnities from our clients and provisions to limit our exposure to legal claims relating to our services, but these provisions may not protect us or may not be enforceable in all cases. As a result, we may incur significant legal expenses in defending against litigation. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which could seriously harm our business prospects.

We are subject to extensive regulation in the financial services industry

We, as a participant in the financial services industry, are subject to extensive regulation in the United States, Europe and elsewhere. In the U.S., our broker-dealer subsidiary, Greenhill & Co., LLC is subject to regulation in the United States, by the SEC and FINRA. In the U.K., our subsidiaries, Greenhill & Co. International LLP and Greenhill & Co.

Europe LLP, as well as Greenhill Capital Partners Europe LLP, are subject to regulation by the FSA. Any failure to comply with applicable laws and regulations could result in fines, suspensions of personnel or other sanctions, including revocation

Table of Contents

of the registration of us or any of our broker-dealer or investment adviser subsidiaries. Even if a sanction imposed against us or our personnel is small in monetary amount, the adverse publicity arising from the imposition of sanctions against us by regulators could harm our reputation and cause us to lose existing clients or fail to gain new clients. Some of our subsidiaries are registered as investment advisers with the SEC. Registered investment advisers are subject to the requirements and regulations of the Investment Advisers Act of 1940. Such requirements relate to, among other things, recordkeeping and reporting requirements, disclosure requirements, custody arrangements, limitations on transactions between an advisor and its clients or between an advisor s clients, as well as general anti-fraud prohibitions.

Our U.S. broker-dealer, our U.K. and German investment banking affiliates as well as our investment advisor subsidiaries are subject to periodic examinations by regulatory authorities. We cannot predict the outcome of any such examination. Our business may also be subject to regulation by non-U.S. governmental and regulatory bodies and self-regulatory authorities in other countries where Greenhill operates.

In addition, as a result of recent highly publicized financial scandals, the regulatory environment in which we operate may be subject to further regulation. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to our clients may also adversely affect our business. Further, financial services firms are subject to numerous conflicts of interest or perceived conflicts. While we have adopted various policies, controls and procedures to address or limit actual or perceived conflicts, these policies and procedures carry attendant costs and may not be adhered to by our employees. Failure to adhere to these polices and procedures may result in regulatory sanctions or client litigation.

Change in applicable regulatory schemes could adversely affect our business

From time to time, the United States and other national governments in the countries in which we operate and related regulatory authorities may adopt new rules which affect our business. In 2009, the SEC proposed to adopt a new rule under the Investment Advisors Act which would, among other things, ban the use of placement agents by government entities. The adoption of this rule would have a material adverse impact in our fund placement advisory business and could result in a significant loss of revenue.

Legal restrictions on our clients may reduce the demand for our services

New laws or regulations or changes in enforcement of existing laws or regulations applicable to our clients may also adversely affect our businesses. For example, changes in antitrust enforcement could affect the level of mergers and acquisitions activity and changes in regulation could restrict the activities of our clients and their need for the types of advisory services that we provide to them.

Fees earned in connection with advisory assignments in the bankruptcy context may be subject to challenge and reduction

In our financial advisory business we from time to time advise debtors or creditors of companies which are involved in bankruptcy proceedings in the United States Bankruptcy Courts. Under the applicable rules of those courts, our fees are subject to approval by the court and other interested parties have the ability to challenge the payment of those fees. Fees earned and reflected in our revenues may from time to time be subject to successful challenges, which could result in a reduction of revenues and affect our stock price adversely.

Our share price may decline due to the large number of shares eligible for future sale

Sales of substantial amounts of common stock by our managing directors and other employees, or the possibility of such sales, may adversely affect the price of the common stock and impede our ability to raise capital through the issuance of equity securities.

As of December 31, 2009, there were 27,977,623 shares of common stock outstanding, which is net of 5,276,648 shares of common stock held in treasury. Of the outstanding shares, 6,418,236 shares of common stock are subject to a lock-up and may not be sold until June 30, 2010, subject to certain exceptions. The lock-up was entered into by the selling shareholders in an offering of shares by them in November 2009 (which included nearly all of our pre-IPO managing directors and certain other managing directors). It restricts the transfer of all the shares owned or subsequently acquired during the lock-up period, effectively extending and broadening the five year transfer restriction agreed to by our pre-IPO managing directors in respect of the shares they received at the time of our initial public offering in May 2004.

A significant portion of the compensation of our managing directors is paid in restricted stock units and the shares we expect to issue on the vesting of those restricted stock units could result in a significant increase in the number of shares of common stock outstanding

At the time of and since our initial public offering we have awarded our directors, managing directors and other employees restricted stock units. At December 31, 2009, 2,582,513 restricted stock units were outstanding and an additional 729,640 restricted stock units were granted to employees subsequent to year end as part of the long-term incentive award program. A significant portion of the compensation of our managing directors is paid in restricted stock units. Each restricted stock unit represents the holder s right to receive one share of our common stock or a cash payment equal to the fair value thereof, at our election, following the applicable vesting date. Awards of restricted stock units to our managing directors and other employees generally vest either ratably over a five year period beginning on the first anniversary of the grant date or do not vest until the fifth anniversary of their grant date, when they vest in full. Shares will be issued in respect of restricted stock units only under the circumstances specified in the applicable award agreements and the equity incentive plan, and may be forfeited in certain cases. Assuming all of the conditions to vesting are fulfilled, shares in respect of the 2,582,513 restricted stock units that were outstanding as of December 31, 2009 would be issued as follows: 739,296 shares in 2010, 687,301 shares in 2011, 361,926 shares in 2012, 684,173 shares in 2013 and 109,817 shares in 2014. We have generally repurchased a portion of the common stock issued to our employees upon vesting of restricted stock units to permit the payment of tax liabilities. Further, we have historically repurchased in the open market and through privately negotiated transactions a significant number of our shares of common stock. If we were to cease to or were unable to repurchase shares of common stock, the number of shares outstanding would increase over time, diluting the ownership of our existing stockholders.

The market price of our common stock may decline

The price of the common stock may fluctuate widely, depending upon many factors, including the perceived prospects of Greenhill and the financial services industry in general, differences between our actual financial and operating results and those expected by investors, the performance of our principal investments, including Iridium, changes in general economic or market conditions and broad market fluctuations. Since a significant portion of the compensation of our managing directors and certain other employees is paid in restricted stock units, a decline in the price of our stock may adversely affect our ability to retain key employees, including our managing directors. Similarly, our ability to recruit new managing directors may be adversely affected by a decline in the price of our stock.

We have experienced rapid growth over the past several years, which may be difficult to sustain and which may place significant demands on our administrative, operational and financial resources

Our future growth will depend, among other things, on our ability to successfully identify practice groups and individuals to join our firm. It may take more than one year for us to determine whether new professionals will be effective. During that time, we may incur significant expenses and expend significant time and resources toward training, integration and business development. If we are unable to hire and retain successful professionals, we will not be able to implement our growth strategy and our financial results may be materially adversely affected.

Sustaining growth will also require us to commit additional management, operational, and financial resources to this growth and to maintain appropriate operational and financial systems to adequately support expansion. There can be no assurance that we will be able to manage our expanding operations

Table of Contents

effectively or that we will be able to maintain or accelerate our growth, and any failure to do so could adversely affect our ability to generate revenue and control our expenses.

Cautionary Statement Concerning Forward-Looking Statements

We have made statements under the captions Business , Risk Factors , and Management s Discussion and Analysis of Financial Condition and Results of Operations and in other sections of this Form 10-K 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 negat 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 .

These risks are not exhaustive. Other sections of this Annual Report on Form 10-K may include additional factors which could adversely impact our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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.

Forward-looking statements include, but are not limited to, the following:

- the statements about our policy that our total compensation and benefits, including that payable to our managing directors and senior advisors, will not exceed 50% of total revenues each year in Management s Discussion and Analysis of Financial Condition and Results of Operations Compensation and Benefits ;

- the statement about our expectation that revenues from our financial advisory business will continue to account for the majority of our revenues and the revenues from our merchant banking management business will decline over time in Management s Discussion and Analysis of Financial Condition and Results of Operations Overview ;

- the statement about our expectations that we expect to exit our merchant banking management business and related activities over time in Management s Discussion and Analysis of Financial Condition and Results of Operations Overview ;

- the statement about our intention to liquidate our merchant banking and other principal investments over time in Management s Discussion and Analysis of Financial Condition and Results of Operations Overview ;

the statement about new managing directors adding incrementally to our revenue and income growth potential in Management s Discussion and Analysis of Financial Condition and Results of Operations Overview ;

the statements about our expected annual fees from our merchant banking funds in 2010 and thereafter in Management s Discussion and Analysis of Financial Condition and Results of Operations Overview Merchant Banking and Other Investment Revenues ;

the statement about our simple business model as an independent, unconflicted advisor creating opportunities for us to attract new clients and providing us with excellent recruiting opportunities to further expand our industry expertise and geographic reach in Management s Discussion and Analysis of Financial Condition and Results of Operations Business Environment ;

the statement about our expectation that it is not likely in the near-term that we will exceed the profit threshold for each fund and recognize profit override revenue in Management s Discussion and Analysis of Financial Condition and Results of Operations Merchant Banking and Other Investment Revenues ;

the statement about our expectation that non-compensation costs, particularly occupancy, travel and information services costs, will increase as we grow our business and make strategic investments in Management s Discussion and Analysis of Financial Condition and Results of Operations Non-Compensation Expenses ;

the statement about the reduction in our borrowing needs in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources ; and

the discussion of our ability to meet liquidity needs in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources .

Item 1B. Unresolved Staff Comments

There are no unresolved written comments that were received from the SEC staff 180 days or more before the end of the year relating to our periodic or current reports under the Securities Act of 1934.

Item 2. Properties

At December 31, 2009, we occupied ten offices, all of which are leased. Our headquarters are located at 300 Park Avenue, New York, New York, and comprise approximately 70,000 square feet of leased space. In June 2009 we entered into a new lease for our existing New York office space and additional space. The new lease commences in September 2010 and will cover approximately 105,000 square feet of leased space expiring in 2020 (with options to renew through 2030). We have agreed to sublet approximately 15,000 square feet of this space to GCP Capital Partners Holdings LLC beginning in January 2011 for a period of 3 to 5 years. In London, we lease approximately 19,000 square feet of office space at Lansdowne House, 57 Berkeley Square in London, pursuant to lease agreements expiring in 2013. Our Frankfurt office is located at Neue Mainzer Strasse 52 and consists of approximately 13,000 square feet of leased space, pursuant to a lease agreement expiring in 2015 (with an option to renew for five years). Our Dallas office is located at 300 Crescent Court and consists of approximately 6,000 square feet, pursuant to a lease agreement expiring in 2013. Our Toronto office is located at 79 Wellington Street West and consists of approximately 5,000 square feet, pursuant to a lease agreement expiring in 2014. Our San Francisco office is located at One California Street and consists of approximately 4,000 square feet pursuant to a lease agreement expiring in 2013. Pursuant to a lease agreement expiring in 2010 our Tokyo office is located at the Marunouchi Building and consists of approximately 2,000 square feet. Our Chicago office is located at 155 North Wacker Drive and consists of approximately 8,000 square feet pursuant to a lease agreement expiring in 2019. Our Los Angeles office is located at 10250 Constellation Boulevard and consists of approximately 3,000 square feet pursuant to a lease agreement expiring in 2011. Our Houston office is located at 1301 McKinney Street and consists of approximately 5,000 square feet pursuant to a lease agreement expiring in 2015.

Item 3. Legal Proceedings

The firm is from time to time involved in legal proceedings incidental to the ordinary course of its business. We do not believe any such proceedings will have a material adverse effect on our results of operations.

Table of Contents

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

There were no matters submitted to a vote of security holders during the fourth quarter of our fiscal year ended December 31, 2009.

EXECUTIVE OFFICERS AND DIRECTORS

Our executive officers are Scott L. Bok (Co-Chief Executive Officer), Simon A. Borrows (Co-Chief Executive Officer), Robert H. Niehaus (Chairman, Greenhill Capital Partners), Richard J. Lieb (Chief Financial Officer), Harold J. Rodriguez, Jr. (Chief Administrative Officer, Chief Compliance Officer and Treasurer), and Ulrika Ekman (General Counsel and Secretary). Set forth below is a brief biography of each executive officer.

Scott L. Bok, 50, has served as our Co-Chief Executive Officer since October 2007, served as our U.S. President from January 2004 until October 2007 and has been a member of our Management Committee since its formation in January 2004. In addition, Mr. Bok has been a director of Greenhill & Co., Inc. since its incorporation in March 2004. Mr. Bok joined Greenhill as a managing director in February 1997. Before joining Greenhill, Mr. Bok was a managing director in the mergers, acquisitions and restructuring department of Morgan Stanley & Co., where he worked from 1986 to 1997, based in New York and London. From 1984 to 1986, Mr. Bok practiced mergers and acquisitions and securities law in New York with Wachtell, Lipton, Rosen & Katz. Mr. Bok is a member of the board of directors of Iridium Communications Inc. (f/k/a GHL Acquisition Corp.). He has also served as a member of the Board of Directors of Heartland Payment Systems (2001 2005) and Republic Group Insurance (2003 2007).

Simon A. Borrows, 51, has served as our Co-Chief Executive Officer since October 2007, served as our Non-U.S. President from January 2004 until October 2007 and been a member of our Management Committee since its formation in January 2004. In addition, Mr. Borrows has been a director of Greenhill & Co., Inc. since its incorporation in March 2004. Mr. Borrows joined Greenhill as a managing director in June 1998. Prior to joining Greenhill, Mr. Borrows was the managing director of Baring Brothers International Limited (the corporate finance division of ING Barings), a position Mr. Borrows had held since 1995. Mr. Borrows was a director of Baring Brothers from 1989 to 1998. Prior to joining Baring Brothers in 1988, Mr. Borrows worked in the corporate finance department of Morgan Grenfell.

Robert H. Niehaus, 54, has served as the Chairman of Greenhill Capital Partners since June 2000. Mr. Niehaus has been a member of our Management Committee since its formation in January 2004. Mr. Niehaus is also a member of the Investment Committee of Greenhill Capital Partners Europe and GSAVP. Mr. Niehaus joined Greenhill in January 2000 as a managing director to begin the formation of Greenhill Capital Partners. Since December 2009 Mr. Niehaus has also been Chairman of GCP Capital Partners Holdings LLC. Prior to joining Greenhill, Mr. Niehaus spent 17 years at Morgan Stanley & Co., where he was a managing director in the merchant banking department from 1990 to 1999. Mr. Niehaus was vice chairman and a director of the Morgan Stanley Leveraged Equity Fund II, L.P., a $2.2 billion private equity investment fund, from 1992 to 1999, and was vice chairman and a director of Morgan Stanley Capital Partners III, L.P., a $1.8 billion private equity investment fund, from 1994 to 1999. Mr. Niehaus was also the chief operating officer of Morgan Stanley s merchant banking department from 1996 to 1998. Mr. Niehaus is a director of Iridium. Mr. Niehaus is a member of the board of directors of Iridium Communications Inc. (f/k/a GHL Acquisition Corp.). He has also served as a member of the Board of Directors of Crown Castle Communications (and its predecessor Global Signal, 2002 2006), Crusader Energy Group (2006 2009), EXCO Resources (2003 2009), Heartland Payment Systems (2001 2007), American Italian Pasta Company (1992 2007), and Republic Group Insurance (2003 2007).

Richard J. Lieb, 50, became Chief Financial Officer of Greenhill in March 2008. Mr. Lieb has been a member of our Management Committee since March 2008. Mr. Lieb joined Greenhill in April 2005 as a Managing Director, having spent 20 years at Goldman Sachs where he headed the real estate investment banking department from 2000 to 2005.

Harold J. Rodriguez, Jr., 54, has served as our Chief Administrative Officer since March 2008 and was Managing Director Finance, Regulation and Operations from January 2004 to March 2008. Mr. Rodriguez also serves as Chief Compliance Officer and Treasurer. From November 2000 through December 2003, Mr. Rodriguez was Chief Financial Officer of Greenhill. Mr. Rodriguez has served as the Chief Financial Officer of Greenhill Capital Partners since he joined Greenhill in June 2000. Prior to joining Greenhill, Mr. Rodriguez was Vice President Finance and Controller of Silgan Holdings, Inc., a major consumer packaging goods manufacturer, from 1987 to 2000. From 1978 to 1987, Mr. Rodriguez worked with Ernst & Young, where he was a senior manager specializing in taxation.

Ulrika Ekman, 47, has served as our General Counsel and Secretary from May 2004 to March 2008 and again since July 2009. Between April 2008 and July 2009, Ms. Ekman served as our Co-Head of U.S. Mergers and Acquisitions. Ms. Ekman is also a member of our Management Committee. Prior to joining Greenhill, Ms. Ekman was a partner in the mergers and acquisitions group of the corporate department of Davis Polk & Wardwell, where she practiced law since 1990.

Our Board of Directors has seven members, three of whom are employees (Robert F. Greenhill, Scott L. Bok and Simon A. Borrows) and four of whom are independent (Robert T. Blakely, John C. Danforth, Steven F. Goldstone and Stephen L. Key). A brief biography of each of Messrs. Blakely, Danforth, Greenhill, Goldstone and Key is set forth below.

Robert F. Greenhill, 73, our founder, has served as our Chairman since the time of our founding in 1996, served as Chief Executive Officer from 1996 until October 2007 and was a member of our Management Committee from its formation in January 2004 until October 2007. In addition, Mr. Greenhill has been a director of Greenhill & Co., Inc. since its incorporation in March 2004. Prior to founding and becoming Chairman of Greenhill, Mr. Greenhill was chairman and chief executive officer of Smith Barney Inc. and a member of the board of directors of the predecessor to the present Travelers Corporation (the parent of Smith Barney) from June 1993 to January 1996. From January 1991 to June 1993, Mr. Greenhill was president of, and from January 1989 to January 1991, Mr. Greenhill was a vice chairman of, Morgan Stanley Group, Inc. Mr. Greenhill joined Morgan Stanley in 1962 and became a partner in 1970. In 1972, Mr. Greenhill directed Morgan Stanley s newly-formed mergers and acquisitions department. In 1980, Mr. Greenhill was named director of Morgan Stanley s investment banking division, with responsibility for domestic and international corporate finance, mergers and acquisitions, merchant banking, capital markets services and real estate. Also in 1980, Mr. Greenhill became a member of Morgan Stanley s management committee.

Robert Blakely, 68, has served on our Board of Directors since April 2009. Since 2008, Mr. Blakely has served as the President of Performance Enhancement Group, a position he previously held from 2002 to 2003. From February 2006 to January 2008, Mr. Blakely served as Executive Vice President of Fannie Mae and from February 2006 to August 2007, as its Chief Financial Officer. From 2003 to 2006, Mr. Blakely served as Executive Vice President and Chief Financial Officer of MCI. Mr. Blakely is a member of the board of directors of Westlake Chemical Corporation, Natural Resource Partners L.P. and GMAC Inc. Mr. Blakely is also Vice Chairman of the Board of Trustees of the Financial Accounting Federation, the oversight body for the Accounting Standards Board.

John C. Danforth, 73, has served on our Board of Directors since February 2005. He served as the United States Representative to the United Nations between July 2004 and January 2005 and, except during his service at the United Nations, has been a Partner in the law firm of Bryan Cave LLP since 1995. He served in the United States Senate from 1976 to 1995. Senator Danforth is a director of Cerner Corporation. He is ordained to the clergy of the Episcopal Church.

Steven F. Goldstone, 64, has served on our Board of Directors since July 2004. He currently manages Silver Spring Group, a private investment firm. From 1995 until his retirement in 2000, Mr. Goldstone was chairman and chief executive officer of RJR Nabisco, Inc. (which was subsequently named Nabisco Group Holdings following the reorganization of RJR Nabisco, Inc.). Prior to joining RJR Nabisco, Inc., Mr. Goldstone was a partner at Davis Polk & Wardwell, a law firm in New York City. He is also non-executive chairman of ConAgra Foods, Inc. and a director of Merck & Co.

Table of Contents

Mr. Goldstone served as a member of the Board of Directors of Trane, Inc. (f/k/a American Standards Companies, Inc.) from 2002 until 2008.

Stephen L. Key, 66, has served on our Board of Directors since May 2004. Since 2003, Mr. Key has been the sole proprietor of Key Consulting, LLC. From 1995 to 2001, Mr. Key was the Executive Vice President and Chief Financial Officer of Textron Inc., and from 1992 to 1995, Mr. Key was the Executive Vice President and Chief Financial Officer of ConAgra, Inc. From 1968 to 1992, Mr. Key worked at Ernst & Young, serving in various capacities, including as the Managing Partner of Ernst & Young s New York Office from 1988 to 1992. Mr. Key is a Certified Public Accountant in the State of New York. Mr. Key is also a member of the Board of Directors of First Wind Holdings, LLC. Mr. Key serves as a member of the Board of Directors of 1- 800 Contacts, Inc. from 2005 and served as a member of the Board of Directors of Sitel, Inc. from 2007 until 2008.

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The principal market on which our common stock (ticker: GHL) is traded is the New York Stock Exchange. The following tables set forth, for the fiscal quarters indicated, the high and low sales prices per share of our common stock, as reported in the consolidated transaction reporting system, and the quarterly dividends declared.

	Fiscal 2009		
	Sales Price		Dividends per share of common stock
	High	Low	
First quarter	$ 76.07	$ 55.41	$ 0.45
Second quarter	84.97	66.21	0.45
Third quarter	93.85	71.36	0.45
Fourth quarter	96.09	79.28	0.45

	Fiscal 2008		
	Sales Price		Dividends per share of common stock
	High	Low	
First quarter	$ 79.64	$ 50.51	$ 0.45
Second quarter	75.40	52.50	0.45
Third quarter	92.90	45.42	0.45
Fourth quarter	77.40	54.65	0.45

As of February 19, 2010, there were approximately 7 holders of record of the firm s common stock.

On February 19, 2010, the last reported sales price for the firm s common stock on the New York Stock Exchange was $75.55 per share.

Table of Contents

The following performance graph and related information shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or Securities Exchange Act of 1934, each as amended, except to the extent we specifically incorporate it by reference into such filing. Our stock price performance shown in the graph below is not indicative of future stock price performance.

ASSUMES $100 INVESTED ON MAY 6, 2004
ASSUMES DIVIDEND REINVESTED
FISCAL YEAR ENDING DECEMBER 31, 2009

Table of Contents

The following table provides information as of December 31, 2009 regarding securities issued under our equity compensation plans that were in effect during fiscal 2009.

	Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the Second Column)
Equity compensation plans approved by security holders	Equity Incentive Plan[1]	2,582,513	$ (2)	25,737,329
Equity compensation plans not approved by security holders	None			
Total		2,582,513	$	25,737,329

(1) Our amended Equity Incentive Plan was approved by our security holders in April 2009. See Note 11 Restricted Stock Units of the Consolidated Financial Statements for a description of our Equity Incentive Plan.

(2) The restricted stock units awarded under our Equity Incentive Plan were granted at no cost to the persons receiving them and do not have an exercise price.

Share Repurchases in the Fourth Quarter of 2009

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
October 1 October 31		$		$

November 1	November 30		
December 1	December 31	289,050[(2)]	84.36

(1) Excludes 8,617 shares the firm is deemed to have repurchased at $87.81 from employees in conjunction with the payment of tax liabilities in respect of stock delivered to employees in settlement of restricted stock units.

(2) On December 22, 2009, we sold certain assets relating to our merchant banking business to Robert H. Niehaus and V. Frank Pottow in exchange for 289,050 shares of our common stock.

Table of Contents

Item 6. Selected Financial Data

	As of or for the Year Ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands, except per share and number of employee data)				
Statement of Income Data:					
Total revenues	$ 298,646	$ 221,873	$ 400,422	$ 290,646	$ 221,152
% change from prior year	*35%*	*(45%)*	*38%*	*31%*	*46%*
Employee compensation and benefit expense	138,298	102,050	183,456	134,134	102,441
Non-compensation expense	46,455	41,965	39,765	37,355	28,711
Income before taxes	113,893	77,858	177,201	119,157	90,000
Provision for taxes	42,736	29,392	61,833	41,633	32,636
Net income allocated to common shareholders	71,240	48,978	115,276	75,666	55,532
Diluted average shares outstanding	29,754	28,214	28,728	29,628	30,672
Diluted earnings per share	2.39	1.74	4.01	2.55	1.81
Balance Sheet Data:					
Total assets	$ 328,389	$ 265,779	$ 374,213	$ 297,731	$ 235,605
Total liabilities	94,836	65,712	229,670	140,326	116,996
Stockholders equity	232,052	198,249	142,290	155,174	115,379
Noncontrolling interests	1,501	1,818	2,253	2,231	3,230
Total equity	233,553	200,067	144,543	157,405	118,609
Dividends declared per share	1.80	1.80	1.26	0.70	0.44
Selected Data and Ratios (unaudited)					
Income before taxes as a percentage of revenues	38%	35%	44%	41%	41%
Revenues per employee(a)	$ 1,140	$ 991	$ 1,930	$ 1,651	$ 1,591
Employees at year-end[(b)(c)]:					
North America	187	150	131	116	90
Europe	93	81	83	85	61
Asia	10	3			
Total employees	290	234	214	201	151

(a) Total revenues divided by average number of employees (including managing directors and senior advisors) in each year.

(b) Includes our managing directors and senior advisors.

(c) Includes 27 employees in 2009 who were active in our merchant banking business and are expected to leave the firm after a transition period.

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview

Greenhill is an independent investment banking firm that (i) provides financial advice on significant mergers, acquisitions, financings, restructurings and similar corporate finance matters as well as fund placement services for private equity and other financial sponsors and (ii) manages and invests in merchant banking funds and makes other principal investments. We act for clients located throughout the world from offices in New York, London, Frankfurt, Tokyo, Toronto, Chicago, Dallas, Houston, Los Angeles and San Francisco. Our activities 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 fund placement advisory; and

- Merchant banking, which includes the management of outside capital invested in the firm s 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 firm s principal investments in the Greenhill Funds, Iridium, other merchant banking funds and other investments.

In the fourth quarter of 2009 we announced our intention to separate our merchant banking business to focus entirely on our financial advisory business, and in connection with that decision we sold certain assets of our merchant banking business (including t