Hilltop Holdings Inc.
Form 4
September 22, 2008

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
FARALLON CAPITAL MANAGEMENT LLC

(Last) (First) (Middle)

, ONE MARITIME PLAZA, SUITE 2100

(Street)

SAN FRANCISCO, CA 94111

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
Hilltop Holdings Inc. [HTH]

3. Date of Earliest Transaction (Month/Day/Year)
09/18/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
_____ Officer (give title below) __X__ Other (specify below)
Member of Group Owning 10%

6. Individual or Joint/Group Filing(Check Applicable Line)
___ Form filed by One Reporting Person
_X_ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock, par value $0.01 per share	09/18/2008		S		4,900	D	$ 9.87	2,122,646	D (1) (2) (3)	
Common Stock, par value $0.01 per share	09/18/2008		S		5,300	D	$ 9.87	2,117,346	D (1) (2) (3)	
Common Stock, par value $0.01 per share	09/18/2008		S		4,600	D	$ 9.87	2,550,939	D (1) (2) (4)	

Common Stock, par value $0.01 per share	09/18/2008		S	7,622	D	$ 9.87	2,543,317	D (1) (2) (4)	
Common Stock, par value $0.01 per share	09/18/2008		S	300	D	$ 9.87	147,125	D (1) (2) (5)	
Common Stock, par value $0.01 per share	09/18/2008		S	400	D	$ 9.87	146,725	D (1) (2) (5)	
Common Stock, par value $0.01 per share	09/18/2008		S	400	D	$ 9.87	181,180	D (1) (2) (6)	
Common Stock, par value $0.01 per share	09/18/2008		S	500	D	$ 9.87	180,680	D (1) (2) (6)	
Common Stock, par value $0.01 per share	09/18/2008		S	100	D	$ 9.87	67,713	D (1) (2) (7)	
Common Stock, par value $0.01 per share	09/18/2008		S	200	D	$ 9.87	67,513	D (1) (2) (7)	
Common Stock, par value $0.01 per share	09/18/2008		S	1,600	D	$ 9.87	324,909	D (1) (2) (8)	
Common Stock, par value $0.01 per share	09/18/2008		S	1,200	D	$ 9.87	245,970	I	See Footnotes (1) (2) (9)
Common Stock, par value $0.01 per share							5,380,490	I	See Footnotes (1) (2) (10)
Common Stock, par value $0.01 per share							5,626,460	I	See Footnotes (1) (2) (11) (12) (13)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
FARALLON CAPITAL MANAGEMENT LLC ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111		X		Member of Group Owning 10%
FARALLON CAPITAL INSTITUTIONAL PARTNERS III LP C/O FARALLON CAPITAL MANAGEMENT, L.L.C. ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111		X		Member of Group Owning 10%
TINICUM PARTNERS LP FARALLON C/O FARALLON CAPITAL MANAGEMENT, L.L.C. ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111		X		Member of Group Owning 10%
Farallon Capital Offshore Investors II, L.P. C/O FARALLON CAPITAL MANAGEMENT, L.L.C. ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111		X		Member of Group Owning 10%
DUHAMEL WILLIAM F C/O FARALLON CAPITAL MANAGEMENT, L.L.C.		X		Member of Group Owning 10%

ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111		
FRIED RICHARD B C/O FARALLON CAPITAL MANAGEMENT, L.L.C. ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111	X	Member of Group Owning 10%
LANDRY MONICA R C/O FARALLON CAPITAL MANAGEMENT, L.L.C. ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111	X	Member of Group Owning 10%
MacMahon Douglas M C/O FARALLON CAPITAL MANAGEMENT, L.L.C., ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111	X	Member of Group Owning 10%
MELLIN WILLIAM F C/O FARALLON CAPITAL MANAGEMENT, L.L.C. ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111	X	Member of Group Owning 10%
MILLHAM STEPHEN L C/O FARALLON CAPITAL MANAGEMENT, L.L.C. ONE MARITIME PLAZA, SUITE 2100 SAN FRANCISCO, CA 94111	X	Member of Group Owning 10%

Signatures

/s/ Monica R. Landry as attorney-in-fact and/or authorized signer for each of FCMLLC and the reporting persons listed in footnotes (6) to (8).	09/22/2008
**Signature of Reporting Person	Date
/s/ Monica R. Landry for herself and as as attorney-in-fact and/or authorized signer for each of William F. Duhamel, Richard B. Fried, Douglas M. MacMahon, William F. Mellin and Stephen L. Millham.	09/22/2008
**Signature of Reporting Person	Date
.	09/22/2008
**Signature of Reporting Person	Date
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**Signature of Reporting Person	Date
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**Signature of Reporting Person	Date
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**Signature of Reporting Person Date

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09/22/2008

**Signature of Reporting Person Date

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09/22/2008

**Signature of Reporting Person Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The entities and individuals identified in the footnotes of this Form 4 may be deemed members of a group holding equity securities of the Issuer. The filing of this Form 4 shall not be deemed to be an admission that such entities and individuals are members of such group.

(2) Since the number of reporting persons that may be listed on a Form 4 is limited, the entities and individuals listed in the footnotes of this Form 4 that are not reporting persons on this Form 4 are filing one additional Form 4 on the date hereof, as reporting persons with respect to the securities described in this Form 4 (the "Parallel Form 4"). Information regarding these entities and individuals is included on this Form 4 for purposes of clarification and convenience only, and is duplicative of the information reported in the Parallel Form 4.

(3) The amount of securities shown in this row is owned directly by Farallon Capital Partners, L.P. ("FCP").

(4) The amount of securities shown in this row is owned directly by Farallon Capital Institutional Partners, L.P. ("FCIP").

(5) The amount of securities shown in this row is owned directly by Farallon Capital Institutional Partners II, L.P. ("FCIP II").

(6) The amount of securities shown in this row is owned directly by Farallon Capital Institutional Partners III, L.P. ("FCIP III").

(7) The amount of securities shown in this row is owned directly by Tinicum Partners, L.P. ("Tinicum").

(8) The amount of securities shown in this row is owned directly by Farallon Capital Offshore Investors II, L.P. ("FCOI II").

(9) The amount of securities shown in this row is owned directly by a discretionary account (the "Managed Account") managed by Farallon Capital Management, L.L.C. ("FCMLLC"). FCMLLC, as the registered investment adviser to the Managed Account, may be deemed to be the beneficial owner of the Issuer's securities held by the Managed Account. FCMLLC disclaims any beneficial ownership of any of the Issuer's securities reported herein for purposes of Section 16 under the Securities Exchange Act of 1934, as amended (the "'34 Act"), or otherwise.

(10) The amount of securities shown in this row is owned directly by FCP, FCIP, FCIP II, FCIP III, Tinicum and FCOI II (collectively, the "Partnerships"). Farallon Partners, L.L.C. ("FPLLC") is the general partner of each of the Partnerships, and accordingly may be deemed to be the beneficial owner of the Issuer's securities held by the Partnerships. The amount of securities shown in this row represents FPLLC's aggregate deemed beneficial ownership of common stock of the Issuer as of September 18, 2008. FPLLC disclaims any beneficial ownership of any of the Issuer's securities reported herein or excluded herefrom for purposes of Section 16 under the '34 Act, or otherwise, except as to securities representing FPLLC's pro rata interest in, and interest in the profits of, the Partnerships.

(11) The amount of securities shown in this row is owned directly by either the Partnerships or the Managed Account. Each of William F. Duhamel, Richard B. Fried, Monica R. Landry, Douglas M. MacMahon, William F. Mellin, Stephen L. Millham, Jason E. Moment, Ashish H. Pant, Rajiv A. Patel, Andrew J. M. Spokes and Mark C. Wehrly (collectively, the "Managing Members") and Thomas F. Steyer (the "Senior Managing Member"), as either a Managing Member or a Senior Managing Member, with the power to exercise investment discretion, of FPLLC and FCMLLC, may be deemed to be a beneficial owner of the Issuer's securities held by each of the Partnerships as referenced in footnotes (3) through (8) of this Form 4 and by the Managed Account as referenced in footnote (9) of this Form 4.

(12)

The amount of securities in this row represents the Managing Members' and the Senior Managing Member's aggregate deemed beneficial ownership of common stock of the Issuer as of September 18, 2008. The Managing Members and the Senior Managing Member disclaim any beneficial ownership of any of the Issuer's securities reported herein or excluded herefrom for purposes of Section 16 under the '34 Act or otherwise.

(13) This Form 4 does not reflect the Reporting Persons' aggregate beneficial ownership of 7.5% Senior Exchangeable Notes due 2025 or 8.25% Series A Cumulative Redeemable Preferred Stock.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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during the first quarter of 2018, in conjunction with its recapitalization plan, the Company repurchased 1,396,710 shares of its common stock at an average price of $20.12 per share, for a total cost of $28.1 million.
In addition, during the three months ended March 31, 2018, 918,073 restricted stock units vested and were settled in shares of common stock, of which the Company is deemed to have repurchased 361,453 shares from employees at the time of vesting to settle tax liabilities at an average price of $18.40 per share for a total cost of $6.7 million.
During the three months ended March 31, 2017, 1,014,271 restricted stock units vested and were settled in shares of common stock, of which the Company is deemed to have repurchased 423,556 shares at an average price of $29.55 per share in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units.

Note 8 — Earnings per Share
The computations of basic and diluted EPS are set forth below:

	For the Three Months Ended March 31,			
	2018		2017	
	(in thousands, except per share amounts, unaudited)			
Numerator for basic and diluted EPS — net income (loss)	$ 6,368		$ (746	)
Denominator for basic EPS — weighted average number of shares	29,755		31,904	
Add — dilutive effect of:				
Restricted stock units	444	(1)	—	(2)
Denominator for diluted EPS — weighted average number of shares and dilutive securities	30,199		31,904	
Earnings (loss) per share:				
Basic EPS	$ 0.21		$ (0.02	)
Diluted EPS	$ 0.21		$ (0.02	)

The weighted number of shares and dilutive potential shares do not include 334,048 shares of common stock, which will be issued to certain selling unitholders of Cogent, following the fourth anniversary of the acquisition if the revenue target related to the Earnout is achieved. In the event that the revenue target is achieved, such shares will be included in the Company’s share count in the period the revenue target is achieved. If the revenue target is not achieved, such shares of common stock will not be issued. See "Note 4 — Fair Value of Financial Instruments".

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(1) Excludes the incremental shares that would be issued if the treasury stock method was applied to 1,255,997 outstanding restricted stock units that were antidilutive for the three months ended March 31, 2018, and thus were not included in the above calculation. The incremental shares that could be included in the diluted EPS calculation in future periods will vary based on a variety of factors, including the future share price and the amount of unrecognized compensation cost. The incremental shares included, if any, would be less than the number of outstanding restricted stock units.
(2) Excludes the incremental shares that would be issued if the treasury stock method was applied to 2,722,509 outstanding restricted stock units that were antidilutive for the three months ended March 31, 2017, and thus were not included in the above calculation. The incremental shares that could be included in the diluted EPS calculation in

future periods will vary based on a variety of factors, including the future share price and the amount of unrecognized compensation cost. The incremental shares included, if any, would be less than the number of outstanding restricted stock units.

Note 9 — Income Taxes

The Company is subject to U.S. federal, foreign, state and local corporate income taxes and its effective tax rate varies depending on the jurisdiction in which the income is earned.

Effective in 2017, the Company was subject to a new accounting pronouncement which requires it to record a charge or benefit in its income tax provision for the tax effect of the difference between the grant date value of restricted stock units and the market value of such awards at the time of vesting. The provisions for income taxes for the three months ended March 31, 2018 and 2017 include net charges of $3.9 million and $2.1 million, respectively, related to the tax effect of the vesting of restricted stock units at a market value in excess of their grant price.

In December 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted and made significant changes to U.S. corporate income tax laws by, among other things, lowering the corporate income tax rate from 35% to 21% beginning in 2018 and implementing a territorial-type tax system with a minimum tax for certain foreign earnings beginning in 2018.

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Based on the Company's historical taxable income and its expectation for taxable income in the future, management expects that its largest 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 future taxable income.
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 (loss), net of tax, in the condensed consolidated statements of changes in stockholders' equity and the condensed consolidated statements of comprehensive income.
The Company is subject to the income tax laws of the United States, its states and municipalities, and those of the foreign jurisdictions in which the Company operates. These laws are complex, and the manner in which they apply to the taxpayer's facts is sometimes open to interpretation. Management must make judgments in assessing the likelihood that a tax position will be sustained upon examination by the taxing authorities based on the technical merits of the tax position. In the normal course of business, the Company may be under audit in one or more of its jurisdictions in an open tax year for that particular jurisdiction. As of March 31, 2018, the Company does not expect any material changes in its tax provision related to any current or future audits.

Note 10 — Regulatory Requirements
Certain subsidiaries of the Company are subject to various regulatory requirements in the United States, United Kingdom, Australia and certain other jurisdictions, which specify, among other requirements, minimum net capital requirements for registered broker-dealers.
G&Co is subject to the SEC’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 March 31, 2018, G&Co’s net capital was $7.8 million, which exceeded its requirement by $6.6 million. G&Co’s aggregate indebtedness to net capital ratio was 2.2 to 1 at March 31, 2018. Certain distributions and other capital withdrawals of G&Co are subject to certain notifications and restrictive provisions of the Rule.
GC LP is also subject to the Rule. GCI, GCE and the European affiliate of GC LP are subject to capital requirements of the FCA. Greenhill Australia is subject to capital requirements of the ASIC. We are also subject to certain capital regulatory requirements in other jurisdictions. As of March 31, 2018, GCI, GCE, GC LP, Greenhill Australia, and our other regulated operations were in compliance with local capital adequacy requirements.

Note 11 — Subsequent Events
The Company evaluates subsequent events through the date on which the financial statements are issued.
On April 25, 2018, the Board of Directors of the Company declared a quarterly dividend of $0.05 per share. The dividend will be payable on June 20, 2018 to the common stockholders of record on June 6, 2018.

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, "Greenhill", “we”, “our”, “Firm” and “us” refer to Greenhill & Co., Inc.
This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and subsequent Forms 8-K.
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”, “outlook”, “anticipate”, “believe”, “estimate”, “intend”, “predict”, “potential” or “continue”, the ne 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 various risks outlined under “Risk Factors” in our 2017 Annual Report on Form 10-K and this Quarterly Report on Form 10-Q.
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 and we do not undertake any obligation to update or review any of these forward-looking statements after the date of this filing to conform our prior statements to actual results or revised expectations whether as a result of new information, future developments or otherwise.

Overview
Greenhill is a leading independent investment bank that provides financial and strategic advice on significant domestic and cross-border mergers and acquisitions, divestitures, restructurings, financings, capital raising and other strategic transactions to a diverse client base, including corporations, partnerships, institutions and governments globally. We serve as a trusted advisor to our clients throughout the world from our offices in the United States, Australia, Brazil, Canada, Germany, Hong Kong, Japan, Spain, Sweden, and the United Kingdom.
Our revenues are principally derived from advisory services on mergers and acquisitions (or M&A), financings and restructurings and are primarily driven by total deal volume and the size of individual transactions. While fees payable upon the successful conclusion of a transaction generally represent the largest portion of our advisory fees, we also earn other corporate advisory fees, including on-going retainer fees, substantially all of which relate to non-success based strategic advisory and financing advisory and restructuring assignments, and fees payable upon the commencement of an engagement or upon the achievement of certain milestones, such as the announcement of a transaction or the rendering of a fairness opinion. Additionally, our global capital advisory group provides capital raising advisory services in the primary market for real estate funds, where revenues are driven primarily by the amount of capital raised, and in the secondary market for alternative assets, where revenue is determined based upon a fixed percentage of the transaction value.
Greenhill was 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 by recruiting talented managing directors and other senior professionals, by acquiring complementary advisory businesses and by training, developing and promoting professionals internally. We have expanded beyond merger and acquisition advisory services to include financing, restructuring and capital advisory services, and we have expanded the breadth of our sector expertise to cover substantially all major industries. Since the opening of our original office in New

York, we have expanded globally to 15 offices across five continents.

Over our 22 years as an independent investment banking firm, we have sought to opportunistically recruit new managing directors with a range of industry and transaction specialties, as well as high-level corporate and other relationships, from major investment banks, independent financial advisory firms and other institutions. We also have sought to expand our geographic reach both through recruiting managing directors in new locations and through strategic acquisitions, such as our 2006 acquisition of Beaufort Partners Limited (now Greenhill Canada) in Canada and our 2010 acquisition of Caliburn Partnership Pty Limited (now Greenhill Australia) in Australia. Additionally, we expanded the breadth of our advisory services through the recruitment

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of a team of managing directors focused on real estate capital advisory services, through the hiring of managing directors to focus on financing and restructuring advisory services, and through our acquisition in 2015 of Cogent Partners, LP, which provides advisory services related to the secondary fund placement market. Through our recruiting and acquisition activity, we have significantly increased our geographic reach by adding offices in the United States, United Kingdom, Germany, Canada, Japan, Australia, Sweden, Hong Kong, Brazil and Spain. We intend to continue our efforts to recruit new managing directors with industry sector experience and/or geographic reach who can help expand our advisory capabilities. During 2018, we recruited a Vice Chairman and Co-Head of North American Financing Advisory and Restructuring to expand our practice in this business. In addition, year to date in 2018 we have recruited 6 additional managing directors for the New York office to expand our sector coverage of consumer products, insurance, midstream energy, real estate, telecommunications and transportation. As of May 3, 2018, we had 71 client facing managing directors including those whose recruitment we had announced through that date.

In September 2017, we announced plans for a leveraged recapitalization to put in place a capital structure designed to enhance long term shareholder value in the context of our then current equity valuation, existing tax rates and existing opportunities in the credit market. Under that plan, the net proceeds from term loan borrowings and proceeds from the purchase of our common stock by each of our Chairman and Chief Executive Officer were intended to be used to repurchase up to $285.0 million of our common stock (the "Recapitalization"). As of April 30, 2018, we had purchased a total of 6.39 million shares since our September 2017 recapitalization announcement, at an average cost of $18.35 per share, for a total cost of $117.3 million. This represents 41% of the $285 million in share repurchases we set as our objective last September, and leaves us with $167.7 million remaining to be spent on repurchases. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources".

Business Environment

Economic and global financial market conditions can materially affect our financial performance. See “Risk Factors” in our 2017 Form 10-K filed with the Securities and Exchange Commission.

Global deal activity in the first three months of 2018 as compared to the same period in the prior year was relatively weak in terms of transaction completions, while announcements increased for larger transactions. For the three months ended March 31, 2018, the number of completed transactions globally decreased by 6% versus the prior year, which was also a weak quarter relative to prior years, while the volume of completed transactions (reflecting the sum of all transaction sizes) decreased by 12%. The number of announced transactions globally decreased by 1% in the first quarter of 2018 versus the same period in the prior year, while the volume of announced transactions increased by 79%.[1] Notwithstanding the relatively soft start to the year in terms of the number of deal transaction completions and announcements, we view the conditions favorable for M&A activity globally, particularly for the larger transactions that have historically been our focus.

We reported record first quarter advisory revenues of $86.8 million in the first quarter of 2018. Our total revenues were $87.5 million in the three months ended March 31, 2018 compared to $56.9 million in the three months ended March 31, 2017, an increase of $30.6 million, or 54%. The increase principally resulted from an increase in completion fees, particularly in Europe, that were significantly larger in scale than the same period in the prior year, offset in part by a decrease in announcement fees.

We view our operating profit margin as a key measure of operating performance. As a result of our increased revenues in the first quarter of 2018 as compared to the same period in 2017, our operating income for the three months ended March 31, 2018 improved to $19.0 million, representing an operating profit margin of 22% for the first quarter of 2018 as compared to operating income of $3.0 million, representing an operating profit margin of 5%, for the first quarter of 2017. The main driver to our operating performance is our generation of revenue, and with increased revenues in the first quarter of 2018, we were able to return to our historic range of operating profit margins for years prior to 2017. While we cannot predict our operating profit margin for any future period, our annual operating profit margin has ranged from 18% to 27% over four of the past five calendar years, except for 2017 when it was 3%.

We believe our business performance is best measured over longer periods of time, as we generally experience significant variations in revenues and profits from quarter to quarter. These variations can generally be attributed to the fact that our revenues are typically earned in large amounts 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. Accordingly, revenues, operating income 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.

[1] Excludes transactions less than $100,000 and withdrawn/canceled deals. Source: Thomson Financial as of May 3, 2018.

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Results of Operations

Revenues

Our revenues are principally derived from advisory services on mergers and acquisitions (or M&A), financings and restructurings and are primarily driven by total deal volume and the size of individual transactions. A majority of our advisory revenue is contingent upon the closing of a merger, acquisition, financing, restructuring, capital fund transaction or other advisory transaction. While fees payable upon the successful conclusion of a transaction generally represent the largest portion of our fees, we also earn other corporate advisory fees, including on-going retainer fees, substantially all of which relate to non-success based strategic advisory and financing advisory and restructuring assignments, and fees payable upon the commencement of an engagement or upon the achievement of certain milestones, such as the announcement of a transaction or the rendering of a fairness opinion. Additionally, our capital advisory group provides capital raising advisory services in the primary market for real estate funds, where revenues are driven primarily by the amount of capital raised by the fund at each interim closing and at the final closing for the amount of capital committed since the last interim closing, and in the secondary market for alternative assets, where revenue is determined based upon a fixed percentage of the transaction value at the closing of each transaction.

We also generate a small portion of our revenues from interest income and gains (or losses) in merchant banking fund investments, which we substantially liquidated in prior years. Revenue recognized on investments in merchant banking funds is based on our allocable share of realized and unrealized gains (or losses) reported by such funds on a quarterly basis.

We generated $87.5 million in revenues in the first quarter of 2018 compared to $56.9 million in the first quarter of 2017, an increase of $30.6 million, or 54%. The increase principally resulted from an increase in completion fees, particularly in Europe, that were significantly larger in scale than the same period in the prior year, offset in part by a decrease in announcement fees.

Effective January 1, 2018, we adopted new guidance on revenue recognition, which resulted in revenue and expense both increasing by $1.2 million in the current quarter related to the financial statement presentation of reimbursed client expenses. Total operating income was not impacted by this change. Further, as a result of the adoption of the new guidance, we recognized additional revenue of $4.7 million in the current quarter related to certain transactions, which met all material conditions for completion in the quarter but closed in the subsequent quarter. Prior to January 1, 2018, revenue was generally recognized on the closing date of each transaction. As provided for under the new accounting guidance, periods prior to January 1, 2018 were not restated to reflect the new guidance on revenue recognition.

Transactions on which we advised that were announced and/or completed in the first quarter of 2018 included:

- the sale of Capvis Equity Partners AG's portfolio company, Faster Group, to Sun Hydraulics Corporation;
- the representation of Danone S.A. in connection with renewing its strategic partnership with Yakult Honsha Co., LTD and selling part of its stake in Yakult Honsha Co., LTD;
- the acquisition by Equiniti Group plc of Wells Fargo & Company's Shareowner Services business;
- the buyout by GlaxoSmithKline plc of Novartis's stake in their Consumer Health Joint Venture;
- the acquisition by Inchcape PLC of Grupo Rudelman;
- the representation of Ladbrokes Coral Group PLC in connection with a recommended offer from GVC Holdings PLC;
- the representation of Lonmin PLC in connection with amending its debt facilities to support the review and implementation of its strategic options, including the recommended offer by Sibanye-Stillwater announced in December 2017;
- the representation of the Special Committee and the Board of Trustees of Pure Industrial Real Estate Trust to provide a fairness opinion in connection with its agreement to be acquired by Blackstone Group L.P.;
- the acquisition by Super Retail Group of Macpac;
- the merger of Tesco PLC with Booker Group plc;
- the acquisition by Total System Services, Inc. of Cayan, LLC;
- the acquisition by Welbilt Inc. of Avaj International Holding AB ("Crem® International"); and
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the representation of Willbros Group, Inc. in connection with its agreement to be acquired by Primoris Services Corporation.

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During the first quarter of 2018, our global capital advisory group advised real estate fund general partners on one interim closing and one final closing of capital commitments from institutional investors. Our secondary capital advisory group advised institutional investors on 40 closings of sales of limited partnership interests in secondary market transactions.
We generally experience significant variations in revenues during each quarterly period. These variations can generally be attributed to the fact that a majority of our revenues is usually earned in large amounts throughout the year upon the successful completion of transactions, the timing of which are uncertain and are not subject to our control. Accordingly, the revenues earned in any particular period may not be indicative of revenues earned in future periods.

Operating Expenses
We classify operating expenses as employee compensation and benefits expenses and non-compensation operating expenses. Non-compensation operating expenses include costs for office space, information services, professional fees, recruiting, travel and entertainment, insurance, communications, depreciation and amortization, and other operating expenses.
Our total operating expenses for the first quarter of 2018 were $68.5 million, which compared to $53.9 million of total operating expenses for the first quarter of 2017. The increase in total operating expenses of $14.6 million, or 27%, resulted from increases in both our compensation and benefits expenses and non-compensation expenses, both as described in more detail below. Our operating profit margin for the three months ended March 31, 2018 was 22% as compared to 5% for the same period in 2017.
The following table sets forth information relating to our operating expenses. As a result of the adoption of the new revenue recognition guidance, beginning in the first quarter of 2018, reimbursed client expenses are reported as a component of advisory revenues and are no longer netted against operating expenses. As provided for in the new revenue recognition accounting guidance, we elected to continue to report operating expenses net of reimbursement of client expenses for 2017.

	For the Three Months Ended March 31,	
	2018	2017
	(in millions, unaudited)	
Employee compensation and benefits expenses	$49.2	$44.1
% of revenues	56 %	77 %
Non-compensation operating expenses	19.3	9.9
% of revenues	22 %	17 %
Total operating expenses	68.5	53.9
% of revenues	78 %	95 %
Total operating income	19.0	3.0
Operating profit margin	22 %	5 %

Compensation and Benefits Expenses
Our employee compensation and benefits expenses in the first quarter of 2018 were $49.2 million, which reflected a 56% ratio of compensation to revenues. This amount compared to $44.1 million for the first quarter of 2017, which reflected a 77% ratio of compensation to revenues. The increase of $5.1 million, or 12%, was principally attributable to the accrual of a larger annual bonus amount related to the significantly higher revenues generated during the period. The decrease in the ratio of compensation to revenues during the first quarter of 2018 as compared to the same period in 2017 is a function of the increased level of revenue and returns our compensation ratio to within its historic range. Our compensation expense is generally based upon revenues and can fluctuate materially in any particular period depending upon changes in headcount, amount of revenues recognized, as well as other factors. Accordingly, the amount of compensation expense recognized in any particular period may not be indicative of compensation expense

in future periods.

Non-Compensation Operating Expenses

Our non-compensation expenses were $19.3 million in the first quarter of 2018 compared to $9.9 million in the first quarter of 2017, representing an increase of $9.4 million, or 95%. The increase in our non-compensation operating expenses principally related to the remeasurement of the Cogent earnout. As of March 31, 2017, the revenue generated by our secondary placement business to achieve the Cogent earnout for the two year period then ended was slightly less than the revenue target required, which resulted in the recognition of a $6.0 million benefit during the first quarter of 2017 related to the remeasurement of the likelihood

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of the secondary placement business achieving its earnout award during the second two year period ended March 31, 2019. In the first quarter of 2018, we recognized a charge of $0.9 million due to an increase in the likelihood that the revenue target for earnout for the two year period ended March 31, 2019 would be achieved.
Without the remeasurement of the Cogent earnout, our non-compensation operating expenses would have been $18.4 million and $15.9 million for the three months ended March 31, 2018 and 2017, respectively. Furthermore, as a result of adopting the new revenue accounting standard, effective in the first quarter of 2018, the presentation of revenue and expenses was modified to report reimbursed client expenses of $1.2 million as a component of advisory revenues and these expenses were no longer netted against operating expenses. As noted above, we elected to continue to report operating expenses net of reimbursement of client expenses for 2017. Other increases in non-compensation operating expenses in the first quarter of 2018 as compared to the same period in the prior year related to larger charges for professional fees and greater foreign exchange losses associated with financing of our foreign investments.
Non-compensation operating expenses as a percentage of revenues for the three months ended March 31, 2018 were 22% compared to 17% (or 28% without the earnout adjustment referred to above) for the same period in 2017. The decrease in non-compensation expenses as a percentage of revenues in the first quarter of 2018 as compared to the same period in 2017, as adjusted for the Cogent earnout, principally resulted from the benefit of spreading slightly higher non-compensation costs over significantly higher revenues.

Our non-compensation operating expenses as a percentage of revenues can vary as a result of a variety of factors including fluctuation in revenue amounts, changes in headcount, the amount of recruiting and business development activity, the amount of office expansion, the amount of client reimbursed expenses, costs associated with acquisitions, currency movements and other factors, such as the contingent earnout. Accordingly, the non-compensation expenses as a percentage of revenues in any particular period may not be indicative of the non-compensation expenses as a percentage of revenues in future periods.

Interest Expense
For the three months ended March 31, 2018, we incurred interest expense of $5.3 million as compared to $0.8 million for the same period in 2017. The increase in interest expense during 2018 related to borrowings under the new term loan facility, which was drawn down in October 2017 as part of the recapitalization plan we announced in September 2017.

The rate of interest on our borrowing is based on LIBOR and can vary from period to period. Further, we are required under the term loan facility to make quarterly amortization payments and, beginning in 2019, an annual prepayment based on a calculation of our excess cash flow. Accordingly, the amount of interest expense in any particular period may not be indicative of the amount of interest expense in future periods.

Provision for Income Taxes
For the first quarter of 2018, the provision for income taxes was $7.4 million as compared to a provision for income taxes for the first quarter of 2017 of $2.9 million. The provision for income taxes for the three months ended March 31, 2018 and 2017 included charges of $3.9 million and $2.1 million, respectively, related to the tax effect of the difference between the grant price value and the market price value of the awards at the time of the vesting. Excluding these charges, the provision for income taxes for the three months ended March 31, 2018 and 2017 would have been $3.5 million, or an effective tax rate of 25%, and $0.8 million, or an effective tax rate of 37%, respectively.

The decrease in the effective tax rate in the first quarter of 2018, excluding the charge related to the vesting of the restricted stock awards, principally related to the Tax Cuts and Jobs Act (the "Tax Act"), which reduced the federal corporate tax rate from 35% to 21% effective January 1, 2018. The effective tax rate in the first quarter of 2018 was also impacted by an increase in the proportion of estimated annual global earnings generated by the U.K., which imposes tax at a statutory rate of 19%, offset by other effects of the Tax Act, which increased the effective tax rate.

The effective tax rate can fluctuate as a result of variations in the amount of income earned and the tax rate imposed in the tax jurisdictions in which we operate. Accordingly, the effective tax rate in any particular period may not be indicative of the effective tax rate in future periods.

Liquidity and Capital Resources
Our liquidity position, which consists of cash and cash equivalents, other significant working capital assets and liabilities, debt and other matters relating to liquidity requirements and current market conditions, is monitored by management on a regular basis. We retain our cash in financial institutions with high credit ratings and/or invest in short-term investments which are expected to provide liquidity. At March 31, 2018, we had cash and cash equivalents of $208.1 million.
We generate substantially all of our cash from advisory fees. Following the Recapitalization, we plan to use our cash primarily for recurring operating expenses, the service of our debt under the new term loan facility, the repurchase of our common shares under our share repurchase plan, and the funding of leasehold improvements for the build out of office space. Our recurring monthly operating disbursements principally consist of base compensation expense, occupancy, travel and entertainment, and other operating expenses. Our recurring quarterly and annual disbursements consist of cash bonus payments, tax payments, debt service payments, dividend payments, and repurchases of our common stock from our employees in conjunction with the payment of tax liabilities incurred on vesting of restricted stock units. These amounts vary depending upon our profitability and other factors.
Because a portion of the compensation we pay to our employees is distributed in annual cash bonus awards (usually in February of each year), our net cash balance is typically at its lowest level during the first quarter of each year and generally accumulates from our operating activities throughout the remainder of the year. In general, we collect our accounts receivable within 60 days, except for fees generated through our primary capital advisory engagements, which are generally paid in installments over a period of three years, and certain restructuring transactions, where collections may take longer due to court-ordered holdbacks. At March 31, 2018, we had advisory fees receivable of $102.6 million, including long-term receivables related to our primary capital advisory engagements of $27.6 million.
Our current liabilities primarily consist of accounts payable, which are generally paid monthly, accrued compensation, which includes accrued cash bonuses that are generally paid in the first quarter of the following year to the large majority of our employees, and current taxes payable. Through April 30, 2018, we have paid to our employees cash bonuses and accrued benefits of $14.4 million relating to compensation accrued at December 31, 2017. In addition, through April 30, 2018, we paid $1.5 million related to income taxes owed principally in the U.S. for the year ended December 31, 2017.
As part of our Recapitalization, in October 2017, we entered into a new credit agreement with a syndicate of lenders, who loaned us $350.0 million under a five-year secured term loan facility and provided us with a three-year secured revolving credit facility for $20.0 million, which was undrawn at closing and has remained undrawn through March 31, 2018. Borrowings under the new credit facilities bear interest at either the U.S. Prime Rate plus 2.75% or LIBOR plus 3.75%. Our borrowing rates during the first quarter of 2018 ranged from 5.1% to 6.1%. The term loan requires mandatory quarterly principal amortization payments of $4.375 million, which began on March 31, 2018 and will continue through September 30, 2018 and of $8.75 million (or $35.0 million annually) beginning December 31, 2018 and continuing through September 30, 2022 with the remaining balance of the term loan due at maturity on October 12, 2022. The first mandatory term loan payment was made on March 31, 2018. In addition, beginning for the year ended December 31, 2018, we are required to make annual repayments of principal on the term loan of 50% of our excess cash flow as defined in the credit agreement. Since the excess cash flow payment for 2018 is based on our annual financial performance for the year (which takes into account the Earnout payment due to former shareholders of Cogent), we are currently not able to estimate the amount of payment, if any, that may be payable on March 31, 2019. We are also required to repay certain amounts of the term loan in connection with the non-ordinary course sale of assets, receipt of insurance proceeds, and the issuance of debt obligations, subject to certain exceptions.
All mandatory repayments of the term loan facility will be applied without penalty or premium. Voluntary prepayments of borrowings under the term loan facility will be permitted. In the event that all or any portion of the term loan facility is prepaid or refinanced or repriced through any amendment prior to April 12, 2019, such repayment, prepayment, refinancing, or repricing will be at 101.0% of the principal amount so repaid, prepaid, refinanced or repriced.
The new term and revolving loan facilities are guaranteed by our existing and subsequently acquired or organized wholly-owned U.S. restricted subsidiaries (excluding any registered broker-dealers) and secured with a first priority

perfected security interest in certain domestic assets and 100% of the capital stock of each U.S. subsidiary and 65% of the capital stock of each non-U.S. subsidiary, subject to certain exclusions which, for the avoidance of doubt, such security interest shall not include any assets of regulated subsidiaries that are not permitted to be pledged by law, statute or regulation, including cash held by regulated subsidiaries and any other capital required to meet and maintain regulatory capital requirements. The credit facilities contain certain covenants that limit our ability above certain permitted amounts to incur additional indebtedness, make certain acquisitions, pay dividends and repurchase shares. The term loan facility does not have financial covenants and the revolving loan facility is subject to a springing total net leverage ratio financial covenant, subject to certain step downs, if our borrowings under the revolving loan facility exceed $12.5 million. We are also subject to certain other non-financial covenants. Our failure to comply with the

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terms of these covenants may adversely affect our operations and could permit lenders to accelerate the maturity of the debt and to foreclose upon any collateral securing the debt. At March 31, 2018, we were compliant with all loan covenants and we expect to continue to be compliant with all loan covenants in future periods.

The new $20.0 million revolving loan facility is available to use for working capital needs and other general corporate purposes. No scheduled principal payments will be required on amounts drawn on the three year revolving loan facility until the maturity date of that facility in October 2020. Any borrowings under the new revolving loan facility may be repaid and reborrowed.

As additional contingent consideration for the purchase of Cogent in April 2015, we agreed to pay to the selling unitholders $18.9 million in cash and issue 334,048 shares of our common stock in the future if the Earnout is achieved. Pursuant to the terms of the purchase agreement, the cash payment and the issuance of common shares occurs if our secondary fund placement business achieves a revenue target of $80.0 million during either the two-year period ending on the second anniversary of the closing (March 31, 2017) or the two year period ending on the fourth anniversary of the closing (March 31, 2019). For the two-year period ended March 31, 2017, the revenue generated by our secondary placement business was slightly less than revenue target required to achieve the Earnout during the first two-year period. If the revenue target is achieved during the two-year period ended March 31, 2019, the contingent consideration will be paid promptly after that date. In the event the Earnout is achieved, we expect the cash payment will be funded from our cash and cash equivalents balance. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Operating Results - Non-Compensation Expenses".

As a result of the enactment of the Tax Act, we calculate the amount of incremental tax owed, if any, on our foreign earnings on a current basis and consequently, we are able to repatriate foreign cash without any further tax burden. We intend to repatriate our foreign cash subject to our estimated operating needs in our foreign jurisdictions, our needs for additional cash in the U.S. and other global cash management purposes.

As part of the Recapitalization, our Board of Directors provided us with authority to repurchase up to $285.0 million of our common stock through various means, which could include one or more of the following: open market purchases (including pursuant to 10b5-1 plans), tender offers, privately negotiated transactions and/or accelerated share repurchases after taking into account our results of operations, financial position and capital requirements, general business conditions, legal, tax and regulatory constraints or restrictions, any contractual restrictions (including any restrictions contained in the credit agreement), potential obligations under the Earnout, and other factors we deem relevant. Pursuant to that authority, in 2017, we repurchased 3,434,137 shares of our common stock through a fixed price tender offer at $17.25 per share, and an additional 343,411 common shares through open market transactions, or in aggregate 3,777,548 common shares at an average price of $17.41 per share, for a total cost of $65.8 million. In the first quarter of 2018, we continued our repurchase plan with the repurchase of 1,054,968 common shares at a purchase price of $20.50 per share through a modified Dutch auction tender offer, and an additional 341,742 common shares through open market transactions, or in aggregate 1,396,710 shares of our common stock at an average price of $20.12 per share, for a total cost of $28.1 million. Additionally, during April 2018, we repurchased 1,216,138 common shares at an average price of $19.26 per share, for a total cost of $23.4 million. As of April 30, 2018, we have repurchased 6,390,396 common shares at an average price of $18.35 per share, for a total cost of $117.3 million, since the commencement of our repurchase plan, which represents approximately 41% of the repurchases authorized, and we have remaining authorization under our share repurchase plan of $167.7 million, which we intend to implement through various means, which could include one or more of the following: open market purchases (including pursuant to 10b5-1 plans), tender offers, privately negotiated transactions and/or accelerated share repurchases. The price and timing of share repurchases, as well as the total funds ultimately expended, will be subject to market conditions and other factors, such as our results of operations, financial position and capital requirements, general business conditions, legal, tax and regulatory constraints or restrictions, any contractual restrictions and other factors deemed relevant. Our credit agreement limits our share repurchase program to $285.0 million, subject to certain exceptions, and once the share repurchase program is completed, we expect to refrain from share repurchases (although we expect to continue to make repurchases of share equivalents through tax withholding on vesting restricted stock units) for a period of time in order to focus cash flow on debt repayment.

In addition, in February 2018, we were deemed to have repurchased 361,453 shares of our common stock at a price of $18.40 per share, for a total cost of $6.7 million, in conjunction with the payment of tax liabilities in respect of stock delivered to our employees in settlement of restricted stock units that vested.

As part of our long term incentive award program, we may award restricted stock units to managing directors and other employees at the time of hire and/or as part of annual compensation. Awards of restricted stock units generally vest over a four to five-year service period, subject to continued employment on the vesting date. Each restricted stock unit represents the holder’s right to receive one share of our common stock (or at our election, a cash payment equal to the fair value thereof) on the vesting date. Under the terms of our equity incentive plan, we generally repurchase from our employees that portion of restricted stock unit awards used to fund income tax withholding due at the time the restricted stock unit awards vest and pay the remainder of the award in shares of our common stock. Based upon the number of restricted stock unit grants outstanding at April 30, 2018, we

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estimate repurchases of our common stock from our employees in conjunction with the cash settlement of tax liabilities incurred on vesting of restricted stock units of approximately $46.2 million (as calculated based upon the closing share price as of April 30, 2018 of $20.30 per share and assuming a withholding tax rate of 39% consistent with our recent experience) over the next five years, of which an additional $2.7 million remains payable in 2018, $11.2 million will be payable in 2019, $11.9 million will be payable in 2020, $8.0 million will be payable in 2021, and $12.4 million will be payable in 2022. We will realize a corporate income tax deduction concurrently with the vesting of the restricted stock units. While we expect to fund future repurchases of our common stock (if any) with operating cash flow to the extent the amount is less than $20.0 million per year as permitted under the credit agreement, we are unable to predict the timing or magnitude of our share repurchases. To the extent future repurchases are expected to exceed the amount allowable under the credit agreement, we will seek other means to settle the withholding tax liability incurred on the vesting of the restricted stock units.

Also, as part of its long-term incentive award program, we may award deferred cash compensation to managing directors and other employees at the time of hire and/or as part of annual compensation. Awards of deferred cash compensation generally vest over a three to five year service period, subject to continued employment. Each award provides the employee with the right to receive future cash compensation payments, which are non-interest bearing, on the vesting date. Based upon the value of the deferred cash awards outstanding at April 30, 2018, we estimate payments of $24.1 million over the next five years, of which $3.1 million remains payable in 2018, $7.2 million will be payable in 2019, $10.1 million will be payable in 2020, $2.8 million will be payable in 2021, $0.8 million will be payable in 2022 and $0.1 million will be payable in 2023. We will realize a corporate income tax deduction at the time of payment.

In order to improve tax efficiency and accelerate the future payment of debt related to our Recapitalization, we elected to substantially reduce our quarterly dividend beginning in the fourth quarter of 2017. Under the credit agreement, we are permitted to make aggregate annual dividend distributions of up to $5.0 million, with any amounts not distributed in any particular year available for carryover to future years. During 2018, we have declared quarterly dividends of $0.05 per common share payable in March and June 2018. We intend to continue to pay quarterly dividends, subject to capital availability and periodic determinations that cash dividends are in the best interest of our stockholders. Future declaration and payment of dividends on our common stock is at the discretion of our Board of Directors and depends upon, among other things, our future operations and earnings, capital requirements and surplus, general financial condition, restrictions under the credit agreement, potential obligations under the Earnout, and other factors as our Board of Directors may deem relevant.

At April 30, 2018, we had cash and cash equivalents of approximately $188.7 million, a term loan principal balance of $345.6 million and there were no drawings under our revolving loan facility. It is our objective to retain a global cash balance adequate to service our forecast operating and financing needs. To fund the repurchases of our common stock, we have invested a portion of our cash in readily marketable obligations issued or directly and fully guaranteed by the government or any agency of instrumentality of the U.S., having average maturities of not more than twelve months or other liquid investments each as permitted under the credit agreement.

While we believe that the cash generated from operations will be sufficient to meet our expected operating needs, tax obligations, interest and principal payments on our loan facilities, common dividend payments, share repurchases related to the tax settlement payments upon the vesting of the RSUs, deferred cash compensation payments, potential obligation under the Earnout and build-out costs of new office space, we may adjust our variable expenses and other disbursements, if necessary, to meet our liquidity needs. There is no assurance that our cash flow will be sufficient to allow us to make timely principal and interest payments under the credit agreement. If we are unable to fund our debt obligations, we may need to consider taking other actions, including issuing additional securities, seeking strategic investments, reducing operating costs or consider taking a combination of these actions, in each case on terms which may not be favorable to us. Further, failure to make timely principal and interest payments under the debt agreement could result in a default. A default would permit lenders to accelerate the maturity for the debt and to foreclose upon any collateral securing the debt. In addition, the limitations imposed by the financing agreements on our ability to incur additional debt and to take other actions might significantly impair our ability to obtain other financing.

Cash Flows

In the three months ended March 31, 2018, our cash and cash equivalents decreased by $59.5 million from December 31, 2017, net of an increase of $1.6 million from the effect of the translation of foreign currency amounts into U.S. dollars at the quarter-end foreign currency conversion rates. We used $19.7 million for operating activities, which consisted of $23.6 million from net income after giving effect to non-cash items, offset by a net increase in working capital of $43.3 million, principally from an increase in accounts receivables due to multiple transaction closings late in the first quarter of 2018. We used $0.7 million in investing activities to fund equipment purchases and leasehold improvements. We used $40.8 million in financing activities, including $28.1 million for open market repurchases of our common stock, $6.7 million for the repurchase of our common stock from employees in conjunction with the payment of tax liabilities in settlement of restricted stock units, $4.4 million for the quarterly principal payment on the secured term loans and $1.7 million for the payment of dividends.

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In the three months ended March 31, 2017, our cash and cash equivalents decreased by $46.3 million from December 31, 2016, including an increase of $0.7 million from the effect of the translation of foreign currency amounts into U.S. dollars at the quarter-end foreign currency conversion rates. We used $28.5 million for operating activities, which consisted of $12.8 million from net income after giving effect to non-cash items offset by a net increase in working capital of $41.3 million, principally from payment of annual bonuses and accrued income taxes. We used $0.4 million in investing activities to fund equipment purchases and leasehold improvements. We used $18.0 million in financing activities, including $15.5 million for the payment of dividends, $12.5 million for the repurchase of our common stock from employees in conjunction with the payment of tax liabilities in settlement of restricted stock units, offset in part by the net borrowings of $9.9 million on our revolving bank loan facility.

Off-Balance Sheet Arrangements

We do not invest in off-balance sheet vehicles that provide financing, liquidity, market risk or credit risk support, or engage in any leasing or hedging activities that expose us to any liability that is not reflected in our condensed consolidated financial statements.

Market Risk

Our operating cash is principally limited to depository accounts and short-term cash investments, which we believe do not face any material interest rate risk, equity price risk or other market risk. We maintain our operating cash with financial institutions with high credit ratings. Although these deposits are generally not insured, management believes we are not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. The remaining net proceeds from the Recapitalization are invested in government securities with short durations or in short term liquid assets with high credit ratings, both as permitted under the credit agreement. We do not believe these investments are exposed to significant credit risk due to the quality of the institutions in which the funds are invested.

We monitor the quality of our investments on a regular basis and may choose to diversify such investments to mitigate perceived market risk. Our cash and cash equivalents are denominated in U.S. dollars, Australian dollars, Canadian dollars, pound sterling, euros, yen, Swedish krona and Brazilian real, and we face foreign currency risk in our cash balances held in accounts outside of the United States due to potential currency movements and the associated foreign currency translation accounting requirements. We currently do not hedge our foreign currency exposure, but we may do so if we expect we will need to fund U.S. dollar obligations with foreign currency.

In addition, the reported amounts of our advisory revenues may be affected by movements in the rate of exchange in the major markets in which we operate between the Australian dollar, Canadian dollar, pound sterling, euro, yen, krona and real (in which collectively 73% of our revenues for the three months ended March 31, 2018 were denominated) and the U.S. dollar, in which our financial statements are denominated. We do not currently hedge against movements in these exchange rates. We analyzed our potential exposure to a decline in exchange rates by performing a sensitivity analysis on our net income in those jurisdictions in which we have generated a significant portion of our foreign earnings, which included the United Kingdom, Europe and Australia. During the three months ended March 31, 2018, as compared to the same period in 2017, the value of the U.S. dollar weakened relative to the pound sterling, the Australian dollar and the euro. In aggregate, although there was a positive impact on our revenues in the first three months of 2018 as compared to the same period in 2017 as a result of movements in the foreign currency exchange rates, we did not deem the impact significant due to the timing of receipts and the mix of currencies we received, including the negotiation for the payment of certain foreign transaction fees in U.S. dollars. Further, because our operating costs in foreign jurisdictions are denominated in local currency, we are effectively internally hedged against the impact in the movements of foreign currency relative to the U.S. dollar. While our earnings are subject to volatility from changes in foreign currency rates, we do not believe we face any material risk in this respect.

Critical Accounting Policies and Estimates

Descriptions of our critical accounting policies and estimates, which are those that are most important to the presentation of our financial condition and results of operations and require management’s most difficult, subjective and complex judgments, are set forth above in "Item 1 — Notes to Condensed Consolidated Financial Statements (unaudited), Note 2 — Summary of Significant Accounting Policies” and are incorporated by reference herein.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and qualitative disclosures about market risk are set forth above in “Item 2 — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Market Risk”.

Item 4. Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of the Firm's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based upon this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

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

PART II -- Other Information

Item 1. 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.

Item 1A. Risk Factors

There have been no material changes in our risk factors from those disclosed in our 2017 Annual Report on Form 10-K.

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

Issuer Purchases of Equity Securities in the first quarter 2018:

Period	Total Number of Shares Repurchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (2)
January	319,736	$18.93	319,736	$ 213,171,934
February	22,006	$18.96	22,006	212,754,806
March	1,054,968	$20.50	1,054,968	191,127,962
Total	1,396,710		1,396,710	$ 191,127,962

(1) Includes 1,054,968 shares we repurchased in the first quarter of 2018 pursuant to a modified Dutch auction tender offer at a purchase price of $20.50 per share, which closed on March 14, 2018. Excludes 361,453 shares we are deemed to have repurchased in the first quarter of 2018 at an average price of $18.40 per share, from employees in conjunction with the payment of tax liabilities in respect of stock delivered to employees in settlement of restricted stock units.

(2) Effective September 25, 2017, our Board of Directors authorized the repurchase of up to $285,000,000 of our common stock in conjunction with our recapitalization plan. During 2017, we repurchased 3,777,548 shares under our recapitalization plan with an aggregate purchase price of $65,776,284.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T.

* This information is furnished and not filed herewith for purposes of Sections 11 and 12 of the Securities Act of 1933, as amended, and Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

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

Dated: May 10, 2018

GREENHILL & CO., INC.

By: /s/ SCOTT L. BOK
Scott L. Bok
Chief Executive Officer

By: /s/ HAROLD J. RODRIGUEZ, JR.
Harold J. Rodriguez, Jr.
Chief Financial Officer

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