CHICAGO RIVET & MACHINE CO
Form 10-K
March 28, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 000-01227

CHICAGO RIVET & MACHINE CO.

(Exact name of registrant as specified in its charter)

ILLINOIS	**36-0904920**
(State of incorporation)	**(I.R.S. Employer Identification Number)**
901 Frontenac Road, Naperville, Illinois	**60563**

(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code: (630) 357-8500

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock $1.00 Par Value (including Preferred Stock Purchase Rights)	NYSE Amex (Trading privileges only, not registered)

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 ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ¨ 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 ¨

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 x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. x

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 ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if smaller reporting company)	Smaller reporting company x

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

The aggregate market value of common stock held by non-affiliates of the Company as of June 30, 2011 was $12,386,840.

As of March 26, 2012, there were 966,132 shares of the Company s common stock outstanding.

Documents Incorporated By Reference

(1) Portions of the Company s Annual Report to Shareholders for the year ended December 31, 2011 (the 2011 Report) are incorporated by reference in Parts I and II of this report.

(2) Portions of the Company s definitive Proxy Statement which is to be filed with the Securities and Exchange Commission in connection with the Company s 2012 Annual Meeting of Shareholders are incorporated by reference in Part III of this report.

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CHICAGO RIVET & MACHINE CO.

YEAR ENDING DECEMBER 31, 2011

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PART I

ITEM 1 Business

Chicago Rivet & Machine Co. (the Company) was incorporated under the laws of the State of Illinois in December 1927, as successor to the business of Chicago Rivet & Specialty Co. The Company operates in two segments of the fastener industry: fasteners and assembly equipment. The fastener segment consists of the manufacture and sale of rivets, cold-formed fasteners and parts and screw machine products. The assembly equipment segment consists primarily of the manufacture of automatic rivet setting machines, automatic assembly equipment and parts and tools for such machines. For further discussion regarding the Company s operations and segments, see Note 6 of the financial statements which appears on page 9 of the Company s 2011 Annual Report to Shareholders. The 2011 Annual Report is filed as an exhibit to this report.

The principal market for the Company s products is the North American automotive industry. Sales are solicited by employees and by independent sales representatives.

The segments in which the Company operates are characterized by active and substantial competition. No single company dominates the industry. The Company s competitors include both larger and smaller manufacturers, and segments or divisions of large, diversified companies with substantial financial resources. Principal competitive factors in the market for the Company s products are price, quality and service.

The Company serves a variety of customers. Revenues are primarily derived from sales to customers involved, directly or indirectly, in the manufacture of automobiles and automotive components. Information concerning backlog of orders is not considered material to the understanding of the Company s business due to relatively short production cycles. The level of business activity for the Company is closely related to the overall level of industrial activity in the United States. During 2011, sales to two customers exceeded 10% of the Company s consolidated revenues. Sales to TI Group Automotive Systems Corporation accounted for approximately 17% and 16% of the Company s consolidated revenues in 2011 and 2010, respectively. Sales to Fisher & Company accounted for approximately 16% and 20% of the Company s consolidated revenues in 2011 and 2010, respectively.

The Company s business has historically been stronger during the first half of the year.

The Company purchases raw material from a number of sources, primarily within the United States. There are numerous sources of raw material, and the Company does not have to rely on a single source for any of its requirements.

Patents, trademarks, licenses, franchises and concessions are not of significant importance to the business of the Company.

The Company does not engage in significant research activities, but rather in ongoing product improvement and development. The amounts spent on product development activities in the last two years were not material.

At December 31, 2011, the Company employed 221 people.

The Company has no foreign operations, and sales to foreign customers represent only a minor portion of the Company s total sales.

ITEM 1A Risk Factors

Our business is subject to a number of risks and uncertainties. If any of the events contemplated by the following risks actually occur, then our business, financial condition or results of operations could be materially adversely affected. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially and adversely affect our business, financial condition and results of operations.

We are dependent on the domestic automotive industry.

Demand for our products is directly related to conditions in the domestic automotive industry, which is highly cyclical and is affected by a variety of factors, including regulatory requirements, international trade policies, and consumer spending and preferences. The domestic automotive industry is characterized by significant overcapacity, fierce competition and significant pension and health care liabilities. Conditions in the domestic automotive industry declined significantly during 2008, and worsened further in 2009 as the global recession took hold, resulting in a substantial decline in vehicle sales. Overall, automotive production in the United States declined approximately 50 percent between 2000 and 2009, before rebounding in 2010. In recent years, many domestic automotive component suppliers as well as General Motors and Chrysler, have filed for bankruptcy protection, while others remain financially distressed or may become financially distressed. Although automotive production and sales increased in 2010 and 2011, further declines in the domestic automotive industry could have a material adverse effect on our business, results of operations and financial condition.

We face intense competition.

We compete with a number of other manufacturers and distributors that produce and sell products similar to ours. Price, quality and service are the primary elements of competition. Our competitors include a large number of independent domestic and international suppliers. We are not as large as a number of these companies and do not have as many financial or other resources. The competitive environment has also changed dramatically over the past several years as our customers, faced with intense international competition and pressure to reduce costs, have expanded their worldwide sourcing of components. As a result, we have experienced competition from suppliers in other parts of the world that enjoy economic advantages, such as lower labor costs, lower health care costs and fewer regulatory burdens. There can be no assurance that we will be able to compete successfully with existing or new competitors. Increased competition could have a material adverse effect on our business, results of operations and financial condition.

We rely on sales to two major customers.

Our sales to two customers in 2011 and 2010 constituted approximately 33% and 36% of our consolidated revenues, respectively. Sales to TI Group Automotive Systems Corporation accounted for approximately 17% and 16% of the Company s consolidated revenues in 2011 and 2010, respectively. Sales to Fisher & Company accounted for approximately 16% and 20% of the Company s consolidated revenues in 2011 and 2010, respectively. The loss of any significant portion of our sales to these customers could have a material adverse effect on our business, results of operations and financial condition.

Increases in our raw material costs or difficulties with our suppliers could negatively affect us.

While we currently maintain alternative sources for raw materials, our business is subject to the risk of price fluctuations and periodic delays in the delivery of certain raw materials. In recent years, we have been adversely impacted by increased costs for steel, our principal raw material, which we have been unable to wholly mitigate, as well as increases in other materials prices. Any continued fluctuation in the price or availability of our raw materials could have a material adverse impact on our business, results of operations and financial condition.

We may be adversely affected by labor relations issues.

Although none of our employees are unionized, the domestic automakers and many of their suppliers, including many of our customers, have unionized work forces. Work stoppages or slow-downs experienced by automakers or their suppliers could result in slow-downs or closures of assembly plants where our products are included in assembled components. In the event that one or more of our customers or their customers experiences a material labor relations issue, our business, results of operations and financial condition could be materially adversely affected.

We may incur losses as a result of product liability, warranty or other claims that may be brought against us.

We face risk of exposure to warranty and product liability claims in the event that our products fail to perform as expected or result, or are alleged to have resulted, in bodily injury, property damage or other losses. In addition, if any of our products are or are alleged to be defective, then we may be required to participate in a product recall. We may also be involved from time to time in legal proceedings and commercial or contractual disputes. Any losses or other liabilities related to these exposures could have a material adverse effect on our business, results of operations and financial condition.

We could be adversely impacted by environmental laws and regulations.

Our operations are subject to environmental laws and regulations. Currently, environmental costs and liabilities with respect to our operations are not material, but there can be no assurance that we will not be adversely impacted by these costs and liabilities in the future either under present laws and regulations or those that may be adopted or imposed in the future.

We could be adversely impacted by the loss of the services of key employees.

Successful operations depend, in part, upon the efforts of executive officers and other key employees. Our future success will depend, in part, upon our ability to attract and retain qualified personnel. Loss of the services of any of our key employees, or the inability to attract or retain employees could have a material adverse affect upon our business, financial condition and results of operations.

The price of our common stock is subject to volatility, and our stock is thinly traded.

Various factors, such as general economic changes in the financial markets, announcements or significant developments with respect to the automotive industry, actual or anticipated variations in our or our competitors quarterly or annual financial results, the introduction of new products or technologies by us or our competitors, changes in other conditions or trends in our industry or in the markets of any of our significant customers, changes in governmental regulation, or changes in securities analysts estimates of our competitors or our industry, could cause the market price of our common stock to fluctuate substantially.

Our common stock is traded on the NYSE Amex (not registered, trading privileges only). The average daily trading volume for our common stock during 2011 was less than 3,000 shares per day, and on some days we have zero volume. As a result, you may have difficulty selling shares of our common stock, and the price of our common stock may vary significantly based on trading volume.

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ITEM 1B Unresolved Staff Comments

None.

ITEM 2 Properties

The Company s headquarters is located in Naperville, Illinois. It conducts its manufacturing and warehousing operations at three additional facilities. All of these facilities are described below. Each facility is owned by the Company and considered suitable and adequate for its present use. The Company also maintains a small sales and engineering office in Norwell, Massachusetts in a leased facility.

Of the properties described below, the Madison Heights, Michigan facility is used entirely in the fastener segment. The Albia, Iowa facility is used exclusively in the assembly equipment segment. The Tyrone, Pennsylvania and the Naperville, Illinois facilites are utilized in both operating segments.

Plant Locations and Descriptions

Naperville, Illinois	Brick, concrete block and partial metal construction with metal roof.
Tyrone, Pennsylvania	Concrete block with small tapered beam type warehouse.
Albia, Iowa	Concrete block with prestressed concrete roof construction.
Madison Heights, Michigan	Concrete, brick and partial metal construction with metal roof.

ITEM 3 Legal Proceedings

The Company is, from time to time involved in litigation, including environmental claims, in the normal course of business. While it is not possible at this time to establish the ultimate amount of liability with respect to contingent liabilities, including those related to legal proceedings, management is of the opinion that the aggregate amount of any such liabilities, for which provision has not been made, will not have a material adverse effect on the Company s financial position.

ITEM 4 Mine Safety Disclosures

Not applicable.

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Executive Officers of the Registrant

The names, ages and positions of all executive officers of the Company, as of March 15, 2012, are listed below. Officers are elected annually by the Board of Directors at the meeting of the directors immediately following the Annual Meeting of Shareholders. There are no family relationships among these officers, nor any arrangement or understanding between any officer and any other person pursuant to which the officer was selected.

Name and Age of Officer		Position	Years an Officer
John A. Morrissey	76	Chairman, Chief Executive Officer	31
Michael J. Bourg	49	President, Chief Operating Officer and Treasurer	13
Kimberly A. Kirhofer	53	Secretary	21

Mr. Morrissey has been Chairman of the Board of Directors of the Company since November 1979, and Chief Executive Officer since August 1981. He has been a director of the Company since 1968.

Mr. Bourg has been President, Chief Operating Officer and Treasurer of the Company since May 2006. He was Corporate Controller from December 1998 to November 2005. He became Vice President Finance in November 2005 and was named Executive Vice President in February 2006. He has been a director of the Company since May 2006.

Mrs. Kirhofer has been Secretary of the Company since August 1991, and was Assistant Secretary of the Company from February 1991 through August 1991. Prior to that, she held various administrative positions with the Company since May 1983.

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PART II

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

The Company s common stock is traded on the NYSE Amex (trading privileges only, not registered). As of March 5, 2012 there were approximately 200 shareholders of record of such stock. The information on the market price of, and dividends paid with respect to, the Company s common stock, set forth in the section entitled Information on Company s Common Stock which appears on page 12 of the 2011 Annual Report is incorporated herein by reference. The 2011 Annual Report is filed as an exhibit to this report. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Dividends, for additional information about the Company s dividend policy.

Under the terms of a stock repurchase authorization originally approved by the Board of Directors of the Company in February of 1990, as amended, the Company is authorized to repurchase up to an aggregate of 200,000 shares of its common stock, in the open market or in private transactions, at prices deemed reasonable by management. Cumulative purchases under the repurchase authorization have amounted to 162,996 shares at an average price of $15.66 per share. The Company has not purchased any shares of its common stock since 2002.

ITEM 6 Selected Financial Data

As a Smaller Reporting Company as defined in Rule 12b-2 of the Exchange Act and in item 10(f)(1) of Regulation S-K, we have elected scaled disclosure reporting obligations with respect to this item and therefore are not required to provide the information requested by this Item 6.

ITEM 7 Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This discussion contains certain forward-looking statements which are inherently subject to risks and uncertainties that may cause actual events to differ materially from those discussed herein. Factors which may cause such differences in events include those disclosed above under Risk Factors and elsewhere in this Form 10-K. As stated elsewhere in this filing, such factors include, among other things: conditions in the domestic automotive industry, upon which we rely for sales revenue, the intense competition in our markets, the concentration of our sales to two major customers, the price and availability of raw materials, labor relations issues, losses related to product liability, warranty and recall claims, costs relating to environmental laws and regulations, and the loss of the services of our key employees. Many of these factors are beyond our ability to control or predict. Readers are cautioned not to place undue reliance on these forward-looking statements. We undertake no obligation to publish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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RESULTS OF OPERATIONS

Results for 2011 reflect considerable improvement over 2010, as the domestic automotive market continued to improve from the steep decline experienced from 2007 to 2009, during the worst of the global economic downturn. Our revenues in 2011 increased to $30,915,122 from $28,520,510 in 2010, or 8.4 percent. The increased revenue came from greater volume for certain existing customer parts as well as new parts and customers. The increase in revenue helped offset higher prices for raw materials and other commodities experienced during the year, resulting in net income of $1,254,877, or $1.30 per share, in 2011 compared with net income of $606,025, or $0.63 per share, in 2010.

2011 Compared to 2010

The domestic economy experienced only modest growth in 2011 as high unemployment and a depressed real estate market continued to keep consumer spending restrained. One of the stronger segments of the economy was the automotive sector, which experienced a 10 percent increase in new vehicle sales, due in part to purchases that were delayed during the worst of the economic crisis. Our fastener segment, which relies on the automotive sector for the majority of its revenues, had sales of $27,832,279 in 2011, compared with $25,252,093 in 2010, an increase of 10.2 percent. For each quarter of 2011, sales exceeded the year earlier quarter, with the fourth quarter marking the ninth consecutive quarter to do so. Higher prices for raw materials, fuel, lubricants and plating materials partially offset the increase in sales in 2011. However, the increase in production activity we experienced allowed for more optimal utilization of plant resources, resulting in an increase in fastener segment gross margins of $1,153,969 during 2011 compared to 2010.

Assembly equipment segment revenues were $3,082,843 in 2011, a decline of $185,574, or 5.7 percent, compared to the $3,268,417 recorded in 2010. While we experienced improved order activity and shipped more machines during 2011, the average selling price of those machines was lower than in 2010. This may be due to the relatively uncertain economic environment that existed throughout much of the year as machine sales are particularly sensitive to economic conditions. While costs were held at levels consistent with the prior year, the decline in sales resulted in a reduction in assembly equipment gross margins of $138,183 in 2011**.**

Selling and administrative expenses were $5,033,451 in 2011, a net increase of $231,810, or 4.8 percent, compared to the 2010 total of $4,801,641. The largest components of the change were a $92,000 increase in profit sharing expense, related to improved operating results, and a $59,000 increase in commissions, due to higher sales during the year. Office supplies and maintenance increased approximately $39,000, primarily related to computer system upgrades. The remaining net increase relates to various smaller items. Compared to net sales, selling and administrative expenses declined from 16.8 percent in 2010 to 16.3 percent in 2011.

During the second quarter of 2011, we completed the sale of our Jefferson, Iowa property, which had formerly been used in our fastener segment operations. The sale resulted in a net gain of approximately $142,000. An additional net gain of $51,000 was recorded in 2011 from the sale of certain manufacturing equipment that had been underutilized.

DIVIDENDS

In determining to pay dividends, the Board considers current profitability, the outlook for longer-term profitability, known and potential cash requirements and the overall financial condition of the Company. The total distribution for the year was $.51 per share. On February 20, 2012, the Board of Directors declared a regular quarterly dividend of $.15 per share, payable March 20, 2012 to shareholders of record on March 5, 2012. This continues the uninterrupted record of consecutive quarterly dividends paid by the Company to its shareholders that extends over 78 years.

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PROPERTY, PLANT AND EQUIPMENT

Total capital expenditures in 2011 were $1,611,789. Fastener segment additions accounted for $1,510,036 of the total, including $838,000 for cold heading and screw machine equipment and $110,000 for secondary processing equipment. These expenditures served to expand our production capacity and capabilities. We invested $241,000 for inspection and other quality related equipment and $251,000 for general plant improvements, including energy efficient lighting and roof repairs. The balance of the fastener segment additions were for packaging and other small equipment. Assembly equipment segment additions were $61,283, for production equipment. An additional $40,470 was invested in facility improvements and office equipment that benefits both operating segments.

Capital expenditures during 2010 totaled $687,108, of which $459,084 was invested in equipment for our fastener operations. Equipment to perform secondary operations on parts accounted for $146,000 of the additions, while inspection equipment comprised $46,000 of the total. Plating system upgrades totaled $57,000 and facilities improvements were $152,000. The remaining additions of $58,000 were for miscellaneous smaller items and a delivery vehicle. Assembly equipment segment additions totaled $157,548, comprised of $84,874 for a new cylindrical grinder and $72,674 for facility improvements. An additional $70,476 was invested in computer equipment and software related to a computer system upgrade that benefits both operating segments.

Depreciation expense amounted to $971,496 in 2011 and $1,000,354 in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Working capital at December 31, 2011 was $15 million, an improvement of $.4 million from the beginning of the year. Improved customer demand, as well as rising raw material prices, resulted in an increase in inventories of $.9 million during 2011, as higher levels were maintained to ensure timely deliveries. Higher sales caused an increase in accounts receivable of $.4 million as of year-end. Partially offsetting these increases was an increase in accounts payable and accrued expenses of $.4 million, reflecting the greater level of operations. The Company s holdings in cash, cash equivalents and certificates of deposit amounted to $6.6 million at the end of 2011, a decline of $.5 million. The Company s investing activities in 2011 consisted of capital expenditures of $1.6 million, which was partially funded by $.4 million in proceeds from asset disposals and a net reduction in certificates of deposit of $.5 million. The only financing activity during 2011 was the payment of $.5 million in dividends.

Off-Balance Sheet Arrangements

The Company has not entered into, and has no current plans to enter into, any off-balance sheet financing arrangements.

Management believes that current cash, cash equivalents and operating cash flow will be sufficient to provide adequate working capital for the foreseeable future.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of revenue and expenses during the reporting period. A summary of critical accounting policies can be found in Note 1 of the financial statements.

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NEW ACCOUNTING STANDARDS

The Company s financial statements and financial condition were not, and are not expected to be, materially impacted by new, or proposed, accounting standards. A summary of recent accounting pronouncements can be found in Note 1 of the financial statements.

OUTLOOK FOR 2012

While current forecasts call for modest economic growth overall in 2012, various projections have suggested domestic automotive sales may increase as much as 10 percent. These conditions would be similar to what was experienced in 2011 and would be favorable to our fastener segment, while the assembly equipment segment, which derives sales from a broader industry base, may lag in comparison. While the sales potential of parts we produce for automotive applications is determined by the lifespan or success of the specific vehicle platform in which they are used, we believe that our efforts in recent years should provide the foundation for growth in 2012.

Forecasting costs is difficult due to the volatility we have experienced in recent years for raw materials, energy and various supplies. Increases in costs are often difficult to recover as many of our customers expect our prices to be held constant, if not reduced, over the life of a part, due to their customers having similar expectations. We will continue to seek ways to mitigate such increases through rigorous quoting and exploring ways to improve our operational efficiency.

The improvement in profitability and our sound financial position allowed us to make significant investments in our operations during 2011 that in some cases have provided immediate benefits in terms of added capabilities, capacity and efficiency. We also believe that we remain well positioned to take advantage of opportunities that may improve profitability in the future. We will continue to pursue new customer relationships and work to expand existing ones in all the markets we serve by emphasizing value over price and by concentrating our efforts on more complex parts in order to differentiate ourselves in a very competitive global marketplace.

Our success in the past year, as well as in the future, depends on numerous factors, a key element of which is the dedicated efforts of our workforce. We take this opportunity to gratefully acknowledge their contributions as well as the loyalty of our customers who have shown their confidence in our ability to provide them with quality solutions. We also recognize the continuing support of our shareholders.

ITEM 7A Quantitative and Qualitative Disclosures About Market Risk

As a Smaller Reporting Company as defined in Rule 12b-2 of the Exchange Act and in item 10(f)(1) of Regulation S-K, we are electing scaled disclosure reporting obligations with respect to this item and therefore are not required to provide the information requested by this Item 7A.

ITEM 8 Financial Statements and Supplementary Data

See the sections entitled Consolidated Financial Statements and Financial Statement Schedule which appear on pages 16 through 19 of this report.

ITEM 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

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ITEM 9A Controls and Procedures

Disclosure Controls and Procedures.

The Company s management, with the participation of the Company s Chief Executive Officer and President, Chief Operating Officer and Treasurer (the Company s principal financial officer), has evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of the end of the period covered by this report. Based on such evaluation, the Company s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company s disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act.

Management s Report on Internal Control Over Financial Reporting.

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting, as that term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company s management, with the participation of the Company s Chief Executive Officer and President, Chief Operating Officer and Treasurer (the Company s principal financial officer), assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, the Company s management has concluded that the Company s internal controls over financial reporting are effective as of December 31, 2011.

The attestation report requirement for non-accelerated filers was permanently removed from the Sarbanes-Oxley Act by Section 989C of the Dodd-Frank Act as adopted by the SEC.

Changes in Internal Control Over Financial Reporting.

There have not been any changes in the Company s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

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PART III

ITEM 10 Directors, Executive Officers and Corporate Governance

The information in the Company s 2012 Proxy Statement (i) with respect to the Board of Directors nominees for directors that is not related to security ownership in Security Ownership of Management (ii) in the third paragraph in Additional Information Concerning the Board of Directors and Committees and (iii) in Section 16(a) Beneficial Ownership Reporting Compliance is incorporated herein by reference. The 2012 Proxy Statement is to be filed with the Securities and Exchange Commission in connection with the Company s 2012 Annual Meeting of Shareholders. The information called for with respect to executive officers of the Company is included in Part I of this Report on Form 10-K under the caption Executive Officers of the Registrant.

The Company has adopted a code of ethics for its principal executive officer, chief operating officer and senior financial officers. A copy of this code of ethics was filed as Exhibit 14 to the Company s Annual Report on Form 10-K dated March 29, 2005.

ITEM 11 Executive Compensation

The information set forth in the Company s 2012 Proxy Statement in Compensation of Directors and Executive Officers is incorporated herein by reference.

The Compensation Committee of the Board of Directors currently consists of Directors Edward L. Chott, William T. Divane, Jr. and George P. Lynch.

ITEM 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth in the Company s 2012 Proxy Statement in Principal Shareholders and the information with respect to security ownership of the Company s directors and officers set forth in Security Ownership of Management is incorporated herein by reference.

The Company does not have any equity compensation plans or arrangements.

ITEM 13 Certain Relationships and Related Transactions, and Director Independence

The information set forth in the Company s 2012 Proxy Statement in (i) Additional Information Concerning the Board of Directors and Committees Policy Regarding Related Person Transactions and (ii) the first paragraph under Additional Information Concerning the Board of Directors and Committees is incorporated herein by reference.

ITEM 14 Principal Accountant Fees and Services

The information set forth in the Company s 2012 Proxy Statement in Ratification of Selection of Independent Auditor Audit and Non-Audit Fees is incorporated herein by reference.

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PART IV

ITEM 15 Exhibits and Financial Statement Schedules

(a) The following documents are filed as a part of this report:

1. Financial Statements:
See the section entitled Consolidated Financial Statements which appears on page 16 of this report.

2. Financial statement schedule and supplementary information required to be submitted:
See the section entitled Financial Statement Schedule which appears on pages 17 through 19 of this report.

3. Exhibits:
See the section entitled Exhibits which appears on page 20 of this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Chicago Rivet & Machine Co. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Chicago Rivet & Machine Co.

By /s/ Michael J. Bourg
Michael J. Bourg
President and Chief Operating Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ John A. Morrissey John A. Morrissey	Chairman of the Board of Directors, Chief Executive Officer (Principal Executive Officer) and Member of the Executive Committee March 28, 2012
/s/ Michael J. Bourg Michael J. Bourg	President, Chief Operating Officer, Treasurer (Principal Financial and Accounting Officer), Director and Member of the Executive Committee March 28, 2012
/s/ Edward L. Chott Edward L. Chott	Director, Member of the Audit Committee March 28, 2012
/s/ Kent H. Cooney Kent H. Cooney	Director, Member of the Audit Committee March 28, 2012
/s/ William T. Divane, Jr. William T. Divane	Director, Member of the Audit Committee March 28, 2012
/s/ George P. Lynch George P. Lynch	Director March 28, 2012
/s/ Walter W. Morrissey Walter W. Morrissey	Director, Member of the Executive Committee March 28, 2012

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CHICAGO RIVET & MACHINE CO.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements, together with the notes thereto and the report thereon of Grant Thornton LLP dated March 28, 2012, appearing on pages 4 to 11 of the accompanying 2011 Annual Report, are incorporated herein by reference. With the exception of the aforementioned information and the information incorporated in Items 1, 5 and 8 herein, the 2011 Annual Report is not to be deemed filed as part of this Form 10-K Annual Report.

Consolidated Financial Statements from 2011 Annual Report (Exhibit 13 hereto):

Consolidated Balance Sheets (page 4 of 2011 Annual Report)

Consolidated Statements of Income (page 5 of 2011 Annual Report)

Consolidated Statements of Retained Earnings (page 5 of 2011 Annual Report)

Consolidated Statements of Cash Flows (page 6 of 2011 Annual Report)

Notes to Consolidated Financial Statements (pages 7, 8, 9, and 10 of 2011 Annual Report)

Report of Independent Registered Public Accounting Firm (page 11 of 2011 Annual Report)

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FINANCIAL STATEMENT SCHEDULE

2011 and 2010

The following financial statement schedule should be read in conjunction with the consolidated financial statements and the notes thereto in the 2011 Annual Report. Financial statement schedules not included herein have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

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Chicago Rivet & Machine Co.

Schedule II Valuation and Qualifying Accounts

For the Years Ended December 31, 2011 and 2010

Classification	Balance at Beginning of Year	Additions Charged to Expenses	Deductions (1)	Balance at End of Year
2011				
Allowance for doubtful accounts, returns and allowances	$ 135,000	$ 5,806	$ 10,806	$ 140,000
Inventory valuation allowance	$ 516,600	$ 221,113	$ 188,713	$ 549,000
2010				
Allowance for doubtful accounts, returns and allowances	$ 155,000	$ 11,943	$ 31,943	$ 135,000
Inventory valuation allowance	$ 564,500	$ 122,814	$ 170,714	$ 516,600

(1) Accounts receivable written off are net of recoveries.

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Report of Independent Registered Public Accounting Firm on

Financial Statement Schedule

Board of Directors and Shareholders

of Chicago Rivet & Machine Co.

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated financial statements of Chicago Rivet & Machine Co. and subsidiary referred to in our report dated March 28, 2012, which is included in the 2011 Annual Report to Shareholders. Our audits of the consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2), which is the responsibility of the Company s management. In our opinion, this financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

GRANT THORNTON LLP

Chicago, Illinois

March 28, 2012

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CHICAGO RIVET & MACHINE CO.

EXHIBITS

INDEX TO EXHIBITS

* Only the portions of this exhibit which are specifically incorporated herein by reference shall be deemed to be filed herewith.

** Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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

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

	For the Three Months Ended March 31,	
	2014	2013
Consolidated net income	$238	$13,618
Currency translation adjustment, net of tax	2,711	(1,459)
Comprehensive income	2,949	12,159
Less: Net income allocated to noncontrolling interests	—	—
Comprehensive income allocated to common stockholders	$2,949	$12,159

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

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Greenhill & Co., Inc. and Subsidiaries
Condensed Consolidated Statements of Changes in Equity
(in thousands, except for per share data)

	Three Months Ended March 31, 2014 (unaudited)	Year Ended December 31, 2013
Common stock, par value $0.01 per share		
Common stock, beginning of the period	$379	$365
Common stock issued	8	14
Common stock, end of the period	387	379
Contingent convertible preferred stock, par value $0.01 per share		
Contingent convertible preferred stock, beginning of the period	14,446	46,950
Contingent convertible preferred stock converted	—	(32,504)
Contingent convertible preferred stock, end of the period	14,446	14,446
Restricted stock units		
Restricted stock units, beginning of the period	117,258	107,253
Restricted stock units recognized, net of forfeitures	4,996	56,100
Restricted stock units delivered	(51,928)	(46,095)
Restricted stock units, end of the period	70,326	117,258
Additional paid-in capital		
Additional paid-in capital, beginning of the period	534,533	458,642
Common stock issued	51,791	77,920
Tax (expense) from the delivery of restricted stock units	(3,013)	(2,029)
Additional paid-in capital, end of the period	583,311	534,533
Exchangeable shares of subsidiary		
Exchangeable shares of subsidiary, beginning of the period	1,958	1,958
Exchangeable shares of subsidiary delivered	—	—
Exchangeable shares of subsidiary, end of the period	1,958	1,958
Retained earnings		
Retained earnings, beginning of the period	152,412	159,918
Dividends	(14,344)	(56,225)
Tax benefit from payment of restricted stock unit dividends	471	2,037
Net income allocated to common stockholders	238	46,682
Retained earnings, end of the period	138,777	152,412
Accumulated other comprehensive income (loss)		
Accumulated other comprehensive income (loss), beginning of the period	(9,361)	6,624
Currency translation adjustment, net of tax	2,711	(15,985)
Accumulated other comprehensive income (loss), end of the period	(6,650)	(9,361)
Treasury stock, at cost, par value $0.01 per share		
Treasury stock, beginning of the period	(534,957)	(479,551)
Repurchased	(16,825)	(55,406)
Treasury stock, end of the period	(551,782)	(534,957)
Total stockholders’ equity	250,773	276,668
Noncontrolling interests		
Noncontrolling interests, beginning of the period	1,042	1,353
Net income allocated to noncontrolling interests	—	—

Distributions to noncontrolling interests	—	(311)
Noncontrolling interests, end of the period	1,042	1,042
Total equity	$251,815	$277,710

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

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

	For the Three Months Ended March 31,	
	2014	2013
Operating activities:		
Consolidated net income	$238	$13,618
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Non-cash items included in consolidated net income:		
Depreciation and amortization	813	1,727
Net investment (gains) losses	5,231	2,081
Restricted stock units recognized and common stock issued	4,996	15,071
Deferred taxes	8,249	2,043
Deferred gain on sale of certain merchant banking assets	(49)	(49)
Changes in operating assets and liabilities:		
Advisory fees receivable	27,942	(1,469)
Other receivables and assets	(9,781)	(494)
Compensation payable	(8,692)	(10,612)
Accounts payable and accrued expenses	(1,516)	1,714
Current income taxes payable	(5,050)	(7,447)
Net cash provided by operating activities	22,381	16,183
Investing activities:		
Proceeds from sales of investments	—	5,623
Distributions from investments	254	186
Purchases of property and equipment	(449)	(272)
Net cash used in investing activities	(195)	5,537
Financing activities:		
Proceeds from revolving bank loan	18,601	31,350
Repayment of revolving bank loan	(13,200)	(34,025)
Distributions to noncontrolling interests	—	(161)
Dividends paid	(14,344)	(14,082)
Purchase of treasury stock	(16,825)	(20,486)
Net tax (cost) from the delivery of restricted stock units and payment of dividend equivalents	(2,541)	(203)
Net cash used in financing activities	(28,309)	(37,607)
Effect of exchange rate changes on cash and cash equivalents	(32)	(485)
Net decrease in cash and cash equivalents	(6,155)	(16,372)
Cash and cash equivalents, beginning of period	42,679	50,324
Cash and cash equivalents, end of period	$36,524	$33,952
Supplemental disclosure of cash flow information:		
Cash paid for interest	$259	$170
Cash paid for taxes, net of refunds	$5,616	$13,797

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

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

Note 1 — Organization
Greenhill & Co., Inc., a Delaware corporation, together with its subsidiaries (collectively, the "Company"), is a leading independent investment bank focused on providing financial advice on significant mergers, acquisitions, restructurings, financings and capital raisings to corporations, partnerships, institutions and governments. The Company acts for clients located throughout the world from its offices located in the United States, United Kingdom, Germany, Canada, Japan, Australia, Sweden and Brazil.
The Company's activities as an investment banking firm constitute one business segment, with two principal sources of revenue:

- Advisory, which includes engagements relating to mergers and acquisitions, financing advisory and restructuring, and private equity and real estate capital advisory services; and
- Investments, which includes the Company's principal investments in certain merchant banking funds and interest income.

The Company's wholly-owned subsidiaries provide advisory services in various jurisdictions. Our most significant operating entities include: Greenhill & Co., LLC ("G&Co"), Greenhill & Co. International LLP ("GCI") and Greenhill & Co. Australia Pty Limited ("Greenhill Australia").
G&Co is engaged in investment banking activities principally in the United States. G&Co is registered as a broker-dealer with the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority ("FINRA"), and is licensed in all 50 states and the District of Columbia. GCI is engaged in investment banking activities in the United Kingdom and is subject to regulation by the U.K. Financial Conduct Authority ("FCA"). Greenhill Australia engages in investment banking activities in Australia and New Zealand and is licensed and subject to regulation by the Australian Securities and Investment Commission ("ASIC").
The Company also operates in other locations throughout the world which are subject to regulation by other governmental and regulatory bodies and self-regulatory authorities.

Note 2 — Summary of Significant Accounting Policies
Basis of Financial Information
These condensed consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States (U.S. GAAP), which require management to make estimates and assumptions regarding future events that affect the amounts reported in our financial statements and these footnotes, including investment valuations, compensation accruals and other matters. Management believes that the estimates used in preparing its condensed consolidated financial statements are reasonable and prudent. Actual results could differ materially from those estimates.
The condensed consolidated financial statements of the Company include all consolidated accounts of Greenhill & Co., Inc. and all other entities in which the Company has a controlling interest after eliminations of all significant inter-company accounts and transactions. In accordance with the accounting pronouncements related to consolidation of variable interest entities, the Company consolidates the general partners of certain merchant banking funds in which it has a majority of the economic interest and control. The general partners account for their investments in these merchant banking funds under the equity method of accounting. As such, the general partners record their proportionate shares of income (loss) from the underlying merchant banking funds. As these merchant banking funds follow investment company accounting, and generally record all their assets and liabilities at fair value, the general partners' investment in these merchant banking funds represents an estimation of fair value. The Company does not consolidate the merchant banking funds since the Company, through its general partner and limited partner interests, does not have a majority of the economic interest in such funds and the limited partners have certain rights to remove the general partner by a simple majority vote of unaffiliated third-party investors.

These condensed consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2013 included in the Company's Annual Report on Form 10-K filed with the SEC. The condensed consolidated financial information as of December 31, 2013 has been derived from audited consolidated financial statements not included herein. The results of operations for interim periods are not necessarily indicative of results for the entire year.

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Revenue Recognition
Advisory Revenues

It is the Company's accounting policy to recognize revenue when (i) there is persuasive evidence of an arrangement with a client, (ii) the agreed-upon services have been completed and delivered to the client or the transaction or events noted in the engagement letter are determined to be substantially complete, (iii) fees are fixed and determinable, and (iv) collection is reasonably assured.

The Company recognizes advisory fee revenues for mergers and acquisitions or financing advisory and restructuring engagements when the services related to the underlying transactions are completed in accordance with the terms of the engagement letter and all other requirements for revenue recognition are satisfied.

The Company recognizes private equity and real estate capital advisory fees at the time of the client's acceptance of capital or capital commitments to a fund in accordance with the terms of the engagement letter. Generally, fee revenue is determined based upon a fixed percentage of capital committed to the fund. For multiple closings, revenue is recognized at each interim closing based on the amount of capital committed at each closing at the fixed fee percentage. At the final closing, revenue is recognized at the fixed percentage for the amount of capital committed since the last interim closing.

While the majority of the Company's fee revenue is earned at the conclusion of a transaction or closing of a fund, on-going retainer fees, substantially all of which relate to non-success based strategic advisory and financing advisory and restructuring assignments, are also earned and recognized as advisory fee revenue over the period in which the related service is rendered.

The Company’s clients reimburse certain expenses incurred by the Company in the conduct of advisory engagements. Expenses are reported net of such client reimbursements. Client reimbursements totaled $0.7 million and $1.8 million for the three months ended March 31, 2014 and 2013, respectively.
Investment Revenues

Investment revenues consist of (i) gains (or losses) on the Company's investments in certain merchant banking funds, Iridium Communications Inc. ("Iridium") (prior to the sale of the Company's entire investment that was completed in December 2013) and other investments and (ii) interest income.
The Company recognizes revenue on its investments in merchant banking funds based on its allocable share of realized and unrealized gains (or losses) reported by such funds. The Company recognizes revenue on its other investments, including Iridium, after considering the Company's influence or control of the investee, based on gains and losses on investment positions held, which arise from sales or changes in the fair value of investments. The amount of gains or losses are not predictable and can cause periodic fluctuations in net income and therefore subject the Company to market and credit risk.
Cash and Cash Equivalents
The Company’s cash and cash equivalents consist of (i) cash held on deposit with financial institutions, (ii) cash equivalents and (iii) restricted cash. The Company maintains its cash and cash equivalents with financial institutions with high credit ratings. The Company considers all highly liquid investments with a maturity date of three months or less, when purchased, to be cash equivalents. Cash equivalents primarily consist of money market funds and overnight deposits.
Management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held. See "Note 3 — Cash and Cash Equivalents".
Advisory Fees Receivables
Receivables are stated net of an allowance for doubtful accounts. The estimate for the allowance for doubtful accounts is derived by the Company by utilizing past client transaction history and an assessment of the client’s

creditworthiness. The Company did not record a charge for bad debt expense for either of the three month periods ended March 31, 2014 or 2013.

Included in the advisory fees receivable balance were $34.1 million and $34.0 million of long term receivables at March 31, 2014 and December 31, 2013, respectively, which relate to private equity and real estate capital advisory engagements that are generally paid in installments over a period of three years.

Included as a component of investment revenues on the condensed consolidated statements of income is interest income related to capital advisory engagements of $0.2 million and $0.1 million for the three month periods ended March 31, 2014 and 2013, respectively.

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Credit risk related to advisory fees receivable is disbursed across a large number of clients located in various geographic areas. The Company controls credit risk through credit approvals and monitoring procedures but does not require collateral to support accounts receivable.

Investments

The Company's investments in merchant banking funds are recorded under the equity method of accounting based upon the Company's proportionate share of the estimated fair value of the underlying merchant banking fund's net assets. The value of merchant banking fund investments in privately held companies is determined by the management of the fund after giving consideration to the cost of the security, the pricing of other sales of securities by the portfolio company, the price of securities of other companies comparable to the portfolio company, purchase multiples paid in other comparable third-party transactions, the original purchase price multiple, market conditions, liquidity, operating results and other qualitative and quantitative factors. Discounts may be applied to the funds' privately held investments to reflect the lack of liquidity and other transfer restrictions. Because of the inherent uncertainty of valuations as well as the discounts applied, the estimated fair values of investments in privately held companies may differ significantly from the values that would have been used had a ready market for the securities existed. The value of merchant banking fund investments in publicly traded securities is determined using quoted market prices discounted for any legal or contractual restrictions on sale. The values at which the Company's investments are carried on its condensed consolidated statements of financial condition are adjusted to estimated fair value at the end of each quarter, and the volatility in general economic conditions, stock markets and commodity prices may result in significant changes in the estimated fair value of the investments from period to period.

Goodwill

Goodwill is the cost of acquired companies in excess of the fair value of identifiable net assets at acquisition date. The Company tests its goodwill for impairment at least annually. An impairment loss is triggered if the estimated fair value of an operating unit is less than estimated net book value. Such loss is calculated as the difference between the estimated fair value of goodwill and its carrying value.

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

Restricted Stock Units

The Company accounts for its share-based compensation payments by recording the fair value of restricted stock units granted to employees as compensation expense. The restricted stock units are generally amortized over a five year service period following the date of grant. Compensation expense is determined based upon the fair market value of the Company’s common stock at the date of grant. As the Company expenses the awards, the restricted stock units recognized are recorded within equity. The restricted stock units are reclassified into common stock and additional paid-in capital upon vesting. The Company records as treasury stock the repurchase of stock delivered to its employees in settlement of tax liabilities incurred upon the vesting of restricted stock units. The Company records dividend equivalent payments, net of forfeitures, on outstanding restricted stock units as a dividend payment and a charge to equity.

Earnings per Share

The Company calculates basic earnings per share (“EPS”) by dividing net income allocated to common stockholders by the sum of (i) the weighted average number of shares outstanding for the period and (ii) the weighted average number of shares deemed issuable due to the vesting of restricted stock units for accounting purposes. In addition, the outstanding contingent convertible preferred shares will be included in the weighted average number of shares to the extent the performance target is deemed to have been met.

The Company calculates diluted EPS by dividing net income allocated to common stockholders by the sum of (i) basic shares per above and (ii) the dilutive effect of the common stock deliverable pursuant to restricted stock units for which future service is required. Under the treasury method, the number of shares issuable upon the vesting of restricted stock units included in the calculation of diluted EPS is the excess, if any, of the number of shares expected to be issued, less the number of shares that could be purchased by the Company with the proceeds to be received upon

settlement at the average market closing price during the reporting period. See "Note 8 — Earnings per Share".
Provision for Taxes
The Company accounts for taxes in accordance with the accounting guidance for income taxes which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax bases of its assets and liabilities.

The Company follows the guidance for income taxes in recognizing, measuring, presenting and disclosing in its financial statements uncertain tax positions taken or expected to be taken on its income tax returns. Income tax expense is based on pre-tax accounting income, including adjustments made for the recognition or derecognition related to uncertain tax positions. The recognition or derecognition of income tax expense related to uncertain tax positions is determined under the guidance.

Deferred tax assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period of change. Management applies the “more-likely-than-not criteria” when determining tax benefits.

Foreign Currency Translation

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

Fair Value of Other Financial Instruments

The Company believes that the carrying values of financial instruments presented in the condensed consolidated statements of financial condition approximate their fair value generally due to their short-term nature and generally negligible credit risk. These fair value measurements would be categorized as Level 2 within the fair value hierarchy.

Noncontrolling Interests

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

The portion of the consolidated interests in the general partners of certain of the merchant banking funds not held by the Company is presented as noncontrolling interest in equity. See "Note 4 — Investments — Merchant Banking Funds".

Property and Equipment

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

Aircraft – 7 years

Equipment – 5 years

Furniture and fixtures – 7 years

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

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Note 3 — Cash and Cash Equivalents

The carrying values of the Company's cash and cash equivalents are as follows:

	As of March 31, 2014	As of December 31, 2013
	(in thousands)	
Cash	$28,020	$34,099
Cash equivalents	3,840	3,484
Restricted cash - deferred compensation plan	526	867
Restricted cash - letters of credit	4,138	4,229
Total cash and cash equivalents	$36,524	$42,679

The carrying value of the Company's cash equivalents approximates fair value. Cash is restricted for the payout of Greenhill Australia's deferred compensation plan, which is being distributed over a 7 year period ending in 2016. A deferred compensation liability relating to the plan of $0.5 million and $0.9 million as of March 31, 2014 and December 31, 2013, respectively, has been recorded on the condensed consolidated statements of financial condition as a component of compensation payable.

Letters of credit were secured by cash held on deposit.

Note 4 — Investments

Merchant Banking Funds

The Company has invested in certain previously sponsored merchant banking funds: Greenhill Capital Partners ("GCP I") and Greenhill Capital Partners II ("GCP II"), which are families of merchant banking funds.

The carrying value of the Company's investments in merchant banking funds are as follows (in thousands):

	As of March 31, 2014	As of December 31, 2013
	(unaudited)	
Investment in GCP I	$2,029	$2,257
Investment in GCP II	2,432	7,690
Investment in other merchant banking funds	1,798	1,798
Total investments in merchant banking funds	$6,259	$11,745

As of March 31, 2014, the Company continues to retain control only of the general partner of GCP I and GCP II and consolidates the results of each such general partner.

The investment in GCP I represents an interest in a previously sponsored merchant banking fund and includes $0.1 million at each of March 31, 2014 and December 31, 2013, related to the noncontrolling interests in the managing general partner of GCP I. The investment in GCP II principally represents the capital interest in a portfolio company and also includes $0.9 million at each of March 31, 2014 and December 31, 2013, related to the noncontrolling interests in the general partner of GCP II.

Investment in other merchant banking funds includes the Company's investment in Barrow Street III, a real estate investment fund. At March 31, 2014, $0.3 million of the Company's commitment remains unfunded and may be drawn any time prior to the expiration of the fund in June 2015.

Investment revenues

The Company's investment revenues, by source, are as follows:

	For the Three Months Ended March 31,	
	2014	2013
	(in thousands, unaudited)	
Net realized and unrealized gains (losses) on investment in Iridium	$—	$(2,081)
Net realized and unrealized gains (losses) on investments in merchant banking funds	(5,205)	—
Deferred gain on sale of certain merchant banking assets	49	49
Interest income	270	176
Total investment revenues (losses)	$(4,886)	$(1,856)

During the three months ended March 31, 2013, 840,000 shares of Iridium were sold at an average price of $6.69 per share, resulting in a loss for the period of $2.1 million. The Company completed the sale of its entire investment in Iridium in December 2013.

Note 5 — Related Parties

At March 31, 2014 and December 31, 2013, the Company had no amounts receivable or payable to related parties. The Company subleases airplane and office space to a firm owned by the Chairman of the Company. The Company recognized rent reimbursements of $19,200 and $18,300 for the three month periods ended March 31, 2014 and 2013, respectively, which are included as a reduction of occupancy and equipment rental on the condensed consolidated statements of income.

Note 6 — Revolving Bank Loan Facility

At March 31, 2014, the Company had a $45.0 million revolving loan facility from a U.S. banking institution to provide for working capital needs and for other general corporate purposes. The loan facility, which was renewed in April 2014, has a maturity date of April 30, 2015. The revolving loan facility is secured by any cash distributed in respect of the Company's investment in the U.S. based merchant banking funds and cash distributions from G&Co. In addition, the revolving loan facility has a prohibition on the incurrence of additional indebtedness without the prior approval of the lender and the Company is required to comply with certain financial and liquidity covenants. The weighted average daily borrowings outstanding under the revolving loan facility were approximately $32.3 million and $34.3 million for the three months ended March 31, 2014 and 2013, respectively. At March 31, 2014, the Company was compliant with all loan covenants.

Note 7 — Equity

On March 19, 2014, a dividend of $0.45 per share was paid to stockholders of record on March 5, 2014. Dividends include dividend equivalents of $1.6 million, which were paid on outstanding restricted stock units during each of the three months ended March 31, 2014 and March 31, 2013.

During the three months ended March 31, 2014, 822,312 restricted stock units vested and were issued as common stock of which the Company is deemed to have repurchased 323,190 shares at an average price of $52.06 per share in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units.

During the three months ended March 31, 2013, 482,711 restricted stock units vested and were issued as common stock of which the Company is deemed to have repurchased 177,969 shares at an average price of $58.88 per share in conjunction with the payment of tax liabilities in respect of stock delivered to its employees in settlement of restricted stock units. In addition, during the three months ended March 31, 2013, the Company repurchased in open market transactions 169,809 shares of its common stock at an average price of $58.93 per share.

In connection with the acquisition of Greenhill Australia in April 2010, the Company issued 1,099,877 shares of contingent convertible preferred stock ("Performance Stock"). The Performance Stock does not pay dividends, was issued in tranches of 659,926 shares and 439,951 shares, and converts to shares of the Company's common stock on a one for one basis promptly after the third and fifth anniversary of the closing of the acquisition, respectively, if certain separate revenue targets are achieved. The revenue target for the first tranche was achieved on April 1, 2013, the third anniversary of the closing, and 659,926 shares of Performance Stock, which had a fair value of $32.5 million at the acquisition date, were converted to common stock. If the revenue target for the second tranche is achieved, the Performance Stock in that tranche will be converted to common stock on April 1, 2015. If the revenue target for the second tranche is not achieved, the Performance Stock in that tranche will be canceled.

Note 8 — Earnings Per Share

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

	For the Three Months Ended March 31,	
	2014	2013
	(in thousands, except per share amounts, unaudited)	
Numerator for basic and diluted EPS — net income allocated to common stockholders	$ 238	$ 13,618
Denominator for basic EPS — weighted average number of shares	30,062	30,172
Add — dilutive effect of:		
Weighted average number of incremental shares issuable from restricted stock units	106	89
Denominator for diluted EPS — weighted average number of shares and dilutive potential shares	30,168	30,261
Earnings per share:		
Basic	$ 0.01	$ 0.45
Diluted	$ 0.01	$ 0.45

The weighted number of shares and dilutive potential shares for the three month periods ended March 31, 2014 and March 31, 2013 includes the conversion of the first tranche of Performance Stock to common stock. The weighted average number of shares and dilutive potential shares for the three month periods ended March 31, 2014 and March 31, 2013 do not include the shares of the second tranche, since the revenue target was not achieved at that time. The second tranche will be included in the Company's share count at the time the revenue target is met. If the revenue target for the second tranche is not achieved, the Performance Stock in that tranche will be canceled.

Note 9 — Income Taxes

The Company's effective tax rate will vary depending on the source of the income. Investment and certain foreign sourced income are taxed at a lower effective rate than U.S. trade or business income.

The Company believes it is more likely than not that the deferred tax asset, which relates principally to compensation expense deducted for book purposes but not yet deducted for tax purposes, will be realized as offsets to: (i) the realization of its deferred tax liabilities and (ii) 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, net of tax, in the condensed consolidated statements of changes in equity and the condensed consolidated statements of comprehensive income.

The Company's income tax returns are routinely examined by the U.S. federal, U.S. state, and international tax authorities. The Company regularly assesses its tax positions with respect to applicable income tax issues for open tax years in each respective jurisdiction in which the Company operates. As of March 31, 2014, the Company does not believe the resolution of any current ongoing income tax examinations will have a material adverse impact on the financial position of the Company.

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, 2014, G&Co's net capital was $3.0 million, which exceeded its requirement by $2.8 million. G&Co's aggregate indebtedness to net capital ratio was 1.2 to 1 at March 31, 2014. Certain distributions and other capital withdrawals of G&Co are subject to certain notifications and restrictive provisions of the Rule.
GCI is subject to capital requirements of the 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, 2014, GCI, Greenhill Australia, and our other regulated operations were in compliance with local capital adequacy requirements.

Note 11 - Business Information
The Company's activities as an investment banking firm constitute one business segment, with two principal sources of revenue:

- Advisory, which includes engagements relating to mergers and acquisitions, financing advisory and restructuring, and private equity and real estate capital advisory services; and
- Investments, which includes the Company's principal investments in merchant banking funds and interest.

The following provides a breakdown of our revenues by source for the three month periods ended March 31, 2014 and 2013, respectively:

	For the Three Months Ended							
	March 31, 2014				March 31, 2013			
	Amount		% of Total		Amount		% of Total	
	(in millions, unaudited)							
Advisory revenues	$48.5		111	%	$81.4		102	%
Investment revenues (losses)	(4.9	)	(11	)%	(1.9	)	(2	)%
Total revenues	$43.6		100	%	$79.5		100	%

In reporting to management, the Company distinguishes the sources of its revenues between advisory and investment revenues. However, management does not evaluate other financial data or operating results such as operating expenses, profit and loss or assets by its advisory and investment activities.

Note 12 — Subsequent Events
The Company evaluates subsequent events through the date on which the financial statements are issued.
On April 23, 2014, the Board of Directors of the Company declared a quarterly dividend of $0.45 per share. The dividend will be payable on June 18, 2014 to the common stockholders of record on June 4, 2014.

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

In this Management's Discussion and Analysis of Financial Condition and Results of Operations, “we”, “our”, “Firm” and “us” refer to Greenhill & Co., Inc.
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, 2013 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”, “anticipate”, “believe”, “estimate”, “intend”, “predict”, “potential” or “continue”, the negative of th and other comparable terminology. These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance, based on our growth strategies and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the numerous risks outlined under “Risk Factors” in our 2013 Annual Report on Form 10-K.
Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy or completeness of any of these forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. We are under no duty to 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 focused on providing financial advice related to significant mergers, acquisitions, restructurings, financings and capital raisings to corporations, partnerships, institutions and governments. We represent clients throughout the world and have offices located in the United States, United Kingdom, Germany, Canada, Japan, Australia, Sweden and Brazil.
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. Additionally, our private capital and real estate capital advisory group provides fund placement and other capital raising advisory services, where revenues are driven primarily by the amount of capital raised.
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 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 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 second U.S. office in 2005, and we currently have five offices in the U.S. We opened a Canadian office in 2006. In 2008, we opened an office in Tokyo. Also in 2008, we entered the capital advisory business, which provides capital raising advice and related services to private equity and real estate funds and sponsors. In 2010, we acquired the Australian advisory firm, Caliburn, which has two Australian offices. In 2012, we opened our Stockholm office, and in October 2013, we opened an office in São Paulo, Brazil.

We exited the merchant banking business in 2010 to focus entirely on the client advisory business and beginning in 2011 we began the monetization of our investments in our previously sponsored merchant banking funds and Iridium. In 2011, we sold substantially all of our interests in GCP II and GSAVP for $49.4 million, which represented their total book value. In December 2012, the purchasers of GCP II exercised their put rights requiring us to repurchase substantially all of our original interests in two portfolio companies for $15.5 million. Also, in 2012, we sold our entire interest in GCP Europe for $27.2 million, which represented approximately 90% of its book value. In July 2013, we sold our entire investment in GCP III for $2.0 million, which represented the book value of our investment. At March 31, 2014, our remaining investments in previously sponsored and other merchant banking funds were valued at $6.3 million.

In October 2011, we initiated a plan to sell our entire interest in Iridium (NASDAQ: IRDM) systematically over a period of two or more years. In December 2013, we completed our sale of all of our holdings in Iridium and we realized aggregate proceeds of $70.5 million over the period of sale. The net proceeds from the sale of our investments in the merchant banking funds and Iridium since we began our monetization of our investments were in aggregate $133.6 million, and were principally used to repurchase our common stock and reduce the outstanding amount of our revolving loan facility.

Business Environment

Economic and global financial market conditions can materially affect our financial performance. See "Risk Factors" in our 2013 Annual Report on Form 10-K filed with Securities and Exchange Commission. Revenues and net income in any period may not be indicative of full year results or the results of any other period and may vary significantly from year to year and quarter to quarter.

Advisory revenues were $48.5 million in the first quarter of 2014 compared to $81.4 million in the first quarter of 2013, which represents a decrease of 40%. Our first quarter 2014 advisory revenues were impacted by a reduced number of large transaction completions as compared to the same period in 2013.

During the first quarter of 2014, the number of completed transactions globally fell by 11% versus the prior year, while the volume of completed transactions (reflecting the sum of all transaction sizes) rose by 1%. The figure for the volume of completed transactions was favorably impacted by a single transaction that constituted nearly a quarter of the total completed transaction volume globally. The number of announced transactions globally fell by 1% in the first quarter of 2014 versus the same period in the prior year, while the volume of announced transactions rose by 51%, with a single transaction constituting 18% of total announced transaction volume globally.[1]

For the first quarter of 2014, our total revenues of $43.6 million were negatively impacted by an unrealized loss of $5.3 million on our last significant principal investment. Although our total operating expenses of $43.2 million for the first quarter of 2014 were significantly lower than the same period in 2013, our cost ratios were significantly above historical levels due to the lower first quarter 2014 revenue amount.

We believe our business performance is best measured over longer periods of time, and 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 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. As a result, our quarterly results vary and our results in one period may not be indicative of our results in any future period.

The M&A environment is inherently difficult to predict, and the downturn in activity since the financial crisis has continued despite the development of more favorable economic conditions such as strong capital markets, high levels of corporate cash and low interest rates. Nevertheless, both market data and our own level of client activity suggest that the long awaited rebound in transaction activity, both in the U.S. and in Europe, may finally be beginning.

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(1)

Excludes transactions less than $100,000 and withdrawn/canceled deals. Source: Thomson Financial as of April 20, 2014.

Results of Operations

Summary

Our total revenues of $43.6 million for the first quarter of 2014 compared to total revenues of $79.5 million for the first quarter of 2013, which represented a decrease of $35.9 million, or 45%. Advisory revenues for the first quarter of 2014 were $48.5 million compared to $81.4 million for the first quarter of 2013. We recorded an investment loss of $4.9 million for the first quarter of 2014 compared to an investment loss of $1.9 million in the first quarter of the prior year. The decrease in our first quarter revenues as compared to the same period in 2013 resulted from a decrease in advisory revenues of $32.9 million and an increase in investment losses of $3.0 million.

Our first quarter 2014 net income allocated to common stockholders of $0.2 million and diluted earnings per share of $0.01 compare to net income allocable to common stockholders of $13.6 million and diluted earnings per share of $0.45 in the first quarter of 2013.

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

Revenues by Source

The following provides a breakdown of total revenues by source for the three month periods ended March 31, 2014 and 2013, respectively:

	For the Three Months Ended			
	March 31, 2014		March 31, 2013	
	Amount	% of Total	Amount	% of Total
	(in millions, unaudited)			
Advisory revenues	$48.5	111 %	$81.4	102 %
Investment revenues	(4.9)	(11)%	(1.9)	(2)%
Total revenues	$43.6	100 %	$79.5	100 %

Advisory Revenues

Advisory revenues primarily consist of financial advisory and transaction related fees earned in connection with advising clients in mergers, acquisitions, financings, restructurings, capital raisings or similar transactions. We earned $48.5 million in advisory revenues in the first quarter of 2014 compared to $81.4 million in the first quarter of 2013, a decrease of 40%. The decrease in advisory revenues in the first quarter of 2014 as compared to the same period in 2013 resulted principally from a decline in the size and number of assignments that closed during the quarter and lower retainer fees, offset in part by higher fund placement fees. During the three months ended March 31, 2014 we earned $1 million or more from 15 clients compared to 17 clients in the same period in 2013.

Completed assignments in the first quarter of 2014 included:

- the sale of Clariant International Ltd's Detergents & Intermediates business to International Chemical Investors Group;
- the combination of Crosstex Energy, Inc. and Crosstex Energy, L.P. with substantially all of Devon Energy Corporation's U.S. midstream assets to create EnLink Midstream, LLC and EnLink Midstream Partners, LP;
- the sale of Catalyst Investment Managers' portfolio company Global Television to NEP Inc.;
- the sale of a portfolio of properties by Grainger plc to Clifden Holdings Limited;
- the comprehensive balance sheet restructuring of Hibu Plc (formerly Yell Group plc);
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the representation of the Independent Committee of the Board of Directors of ING US, Inc. on the repurchase of shares from ING Groep N.V.;

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- the sale of Macquarie Group's stake in Regis Aged Care Pty Limited to the majority and founding shareholders of Regis; and
- the representation of Thiele Kaolin Company on a leveraged recapitalization and repurchase of a 40% stock interest from Stora Enso Oyj.

During the first quarter of 2014, our capital advisory group served as global placement agent on behalf of private equity and real estate funds for two final closings and five interim closings of limited partnership interests in such funds.

Investment Revenues

Investment revenues primarily consist of our investment gains and losses from our investments in previously sponsored merchant banking funds and, in 2013, in Iridium.

The following table sets forth additional information relating to our investment revenues for the three months ended March 31, 2014 and 2013:

	For the Three Months Ended March 30,	
	2014	2013
	(in millions, unaudited)	
Net realized and unrealized gains (losses) on investment in Iridium	$—	$(2.1)
Net realized and unrealized gains (losses) on investments in merchant banking funds	(5.2)	—
Interest income	0.3	0.2
Total investment revenues (losses)	$(4.9)	$(1.9)

For the first quarter of 2014, we recorded an investment loss of $4.9 million compared to an investment loss of $1.9 million in the first quarter of 2013. The investment loss in the first quarter of 2014 resulted principally from an unrealized loss of $5.2 million related to our indirect interest in a portfolio company held in our previously sponsored merchant banking fund, GCP II. The unrealized loss in the estimated fair value of the portfolio company was based upon information provided by the management of the fund. In the first quarter of 2013, the investment loss principally resulted from a decline in the quoted market value of our investment in Iridium during the quarter.

We recognize revenue on investments in merchant banking funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds on a quarterly basis. Investments held by merchant banking funds are recorded at estimated fair value. Because of the inherent uncertainty of valuations as well as the discounts applied, the estimated fair value of investments in privately held companies may differ significantly from the values that would have been used had a ready market for the securities existed.

During our period of ownership of Iridium, which ended in December 2013, we recognized gains or losses from our investment in Iridium from marking to market our holdings at the end of each period to record unrealized gains or losses based upon the quoted market price for Iridium common stock. To the extent we sold our holdings in Iridium for a price above or below our mark for the previously reported period, we recognized realized gains or losses on such sales during the period of sale.

At March 31, 2014, we had principal investments of $6.3 million, which consists of many small investments in our previously sponsored and other merchant banking funds. For our remaining investments in the merchant banking funds, the size and timing of changes in the fair value of these investments are tied to a number of different factors, including the performance of the particular portfolio companies, general economic conditions in the debt and equity markets and other factors which affect the industries in which the funds are invested. We will continue to record realized and unrealized changes in the fair value of our investments on a quarterly basis until such investments are fully liquidated. Adverse changes in general economic conditions, commodity prices, credit and public equity markets could negatively impact the amount of investment revenues we record in any period.

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Operating Expenses

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

Our total operating expenses for the first quarter of 2014 were $43.2 million, which compared to $57.9 million of total operating expenses for the first quarter of 2013. This represents a decrease in total operating expenses of $14.7 million, or 25%, and resulted from decreases in both our compensation and benefits expenses and our non-compensation expenses as described in more detail below. The pre-tax profit margin for the first quarter of 2014 was 1% compared to 27% for the first quarter of 2013.

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

	For the Three Months Ended March 31,			
	2014		2013	
	(in millions, unaudited)			
Employee compensation and benefits expense	$28.8		$42.2	
% of revenues	66	%	53	%
Non-compensation expenses	14.4		15.7	
% of revenues	33	%	20	%
Total operating expenses	43.2		57.9	
% of revenues	99	%	73	%
Total income before tax	0.4		21.7	
Pre-tax profit margin	1	%	27	%

Compensation and Benefits Expense

Our employee compensation and benefits expense in the first quarter of 2014 were $28.8 million, which reflected a 66% ratio of compensation to revenues. This amount compared to $42.2 million for the first quarter of 2013, which reflected a 53% ratio of compensation to revenues. The decrease of $13.4 million, or 32%, resulted from both a lower cash bonus accrual and reduced amortization of restricted stock units due to higher forfeitures of unvested restricted stock. The increase in the ratio of compensation to revenues in the first quarter of 2014 as compared to the same period in 2013 resulted from the effect of lower compensation costs spread over significantly lower revenues. It is our expectation that in future quarterly periods our ratio of compensation to revenues will reduce the full year rate to a rate consistent with our history, while our compensation expense will increase in absolute dollar terms.

Our compensation expense is generally based upon revenues and can fluctuate materially in any particular period depending upon the 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 a future period.

Non-Compensation Expenses

Our non-compensation expenses include the costs for occupancy and equipment rental, communications, information services, professional fees, recruiting, travel and entertainment, insurance, depreciation and amortization, interest expense and other operating expenses. Reimbursed client expenses are netted against non-compensation expenses.

Our non-compensation expenses were $14.4 million in the first quarter of 2014 compared to $15.7 million in the first quarter of 2013, reflecting a decrease of $1.3 million, or 8%. The decrease in non-compensation expenses principally resulted from the benefit of lower amortization of the Australian intangible assets, which were fully amortized in the first quarter of 2013, and slightly lower travel and other general operating costs.

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Non-compensation expenses as a percentage of revenues for the three months ended March 31, 2014 were 33% compared to 20% for the same period in 2013. The increase in non-compensation expenses as a percentage of revenues resulted principally from the spreading of lower costs over significantly lower revenues earned during the first quarter of 2014 as compared to the same period in 2013.

Our non-compensation 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 space expansion, the amount of reimbursement of engagement-related expenses by clients, the amount of our short term borrowings, interest rate and currency movements and other factors. 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.

Provision for Income Taxes

During the first quarter of 2014, the provision for income taxes was $0.1 million, which reflected an effective tax rate of 35%. This compared to a provision for income taxes in the first quarter of 2013 of $8.1 million, which also reflected an effective tax rate of 37%. The decrease in the provision for income taxes in the first quarter of 2014 as compared to the same period in 2013 was attributable to lower pre-tax income. The lower effective tax rate principally resulted from the generation of a greater proportion of earnings from foreign jurisdictions, which are generally taxed at lower rates than the United States.

The effective tax rate can fluctuate as a result of variations in the relative amounts of advisory and investment 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 is monitored by our Management Committee, which generally meets monthly. The Management Committee monitors cash, other significant working capital assets and liabilities, debt, principal investment commitments and other matters relating to liquidity requirements. We evaluate our liquid cash operating position on a regular basis in light of current market conditions. As of March 31, 2014, we had cash and cash equivalents of $36.5 million, of which $26.9 million was held outside the U.S. We retain our cash in financial institutions with high credit ratings and/or invest in short-term investments which are expected to provide liquidity. We generate cash from our operating activities principally in the form of advisory fees. Historically, we also generated cash from our investment activities in the form of proceeds from the sales and distributions of our investments. We use our cash primarily for recurring operating expenses and the payment of dividends and non-recurring disbursements such as the repurchase of shares of our common stock 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, 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 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 private equity and real estate 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, 2014, we had long-term receivables related to private equity and real estate capital advisory engagements of $34.1 million.

Our current liabilities typically 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. In the first quarter of 2014, cash bonuses and accrued benefits of $11.8 million were paid to our employees. In addition, in the first quarter of 2014, we paid $5.6 million related to income taxes owed principally in the United States for the year ended December 31, 2013.

To provide for working capital needs and other general corporate purposes in the United States, we have a $45.0 million revolving bank loan facility which, pursuant to our most recent renewal, matures on April 30, 2015. Historically, we have been able to extend the maturity date of the revolving loan facility for a one year period shortly before maturity although our ability to do so in the future is not certain. The facility bears interest at the higher of the Prime Rate or 3.25%. Borrowings under the facility are secured by any cash distributed in respect of our investment in the U.S. based merchant banking funds and cash distributions from Greenhill & Co., LLC. At March 31, 2014, we had $36.3 million outstanding under the revolving bank loan facility. The revolving loan facility has a prohibition on the incurrence of additional indebtedness without the prior approval of the lenders and requires that we comply with certain financial and liquidity covenants on a quarterly basis. At March 31, 2014, we were compliant with all loan covenants and we expect to continue to be compliant with all loan covenants in future periods.

Historically, we have generated significant earnings outside the U.S. In 2011, we reviewed our reinvestment needs in our foreign locations and determined that, based on our focus entirely on our advisory business, it is unlikely that we will have future needs that require us to permanently reinvest our foreign earnings in the local jurisdictions. Accordingly, to support our corporate cash needs in the U.S., we may repatriate foreign earnings in excess of our local working capital requirements and other forecasted local needs. To the extent we repatriate foreign earnings from jurisdictions with a lower tax rate than the U.S., we may be subject to an incremental amount of U.S. tax on such earnings. However, we currently have excess foreign tax credits, and may generate additional foreign tax credits, which may be available to offset any incremental U.S. tax amount. As a result, we would expect to incur a minimal amount, if any, of incremental U.S. tax from any such repatriation in the near future.

Since our exit from the merchant banking business, we have sought to realize value from our remaining principal investments, which consisted of investments in previously sponsored merchant banking funds and Iridium. We completed our liquidation of Iridium in December 2013. During 2013, we generated net proceeds of $37.0 million principally from the sale of our remaining investment in Iridium. We used the net proceeds from the sale of our investments in merchant banking funds and Iridium principally to make open market share repurchases and to reduce borrowings outstanding on the revolving loan facility.

At March 31, 2014, our remaining investments in previously sponsored and other merchant banking funds were valued at $6.3 million. Because merchant banking funds typically invest in privately held companies, the ability of the merchant banking funds to sell or dispose of the securities they own depends on a number of factors beyond the control of the funds, including general economic and sector conditions, stock market conditions, commodity prices, and the availability of financing to potential buyers of such securities, among other issues. As a result, we consider our investments in the merchant banking funds illiquid for the short term. Our remaining commitment to fund capital calls for merchant banking fund investments is $0.3 million.

In January 2014, our Board of Directors authorized the repurchase of up to $75.0 million of our common stock during 2014. For the three months ended March 31, 2014, we were deemed to have repurchased 323,190 shares of our common stock in connection with the cash settlement of tax liabilities incurred on the vestings of restricted stock units at an average price of $52.06 per share, for a total purchase cost of $16.8 million. While we expect to fund future repurchases of common shares (if any) with operating cash flow, we are unable to predict the timing or magnitude of our share repurchases.

Based upon the number of restricted stock unit grants outstanding at April 25, 2014, we 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 $66.3 million (as calculated based upon the closing share price as of April 25, 2014 of $49.90 per share and assuming a withholding tax rate of 38%) over the next five years, of which an additional $3.8 million will be payable in 2014, $17.3 million will be payable in 2015, $14.0 million will be payable in 2016, $14.5 million will be payable in 2017 , $10.5 million will be payable in 2018, and $6.2 million will be payable in 2019. We will realize a corporate income tax benefit concurrently with the cash settlement payments.

Since 2004, we have paid quarterly dividends to our shareholders and dividend equivalent payments to our employees who hold restricted stock units. Our quarterly dividend has been $0.45 per share since 2007. For the year ended December 31, 2013, we made dividend distributions of $56.2 million, or $1.80 per common share and outstanding restricted stock unit. During the quarter ended March 31, 2014, we made a dividend distribution of $14.3 million, or $0.45 per common share and outstanding restricted stock unit. 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, contractual restrictions and other factors as the Board of Directors may deem relevant.

Our acquisition of Caliburn in April 2010 was funded with the issuance of 1,099,874 shares of our common stock and 1,099,877 contingent convertible preferred shares. The contingent convertible preferred shares do not pay dividends and were issued in tranches of 659,926 shares and 439,951 shares, which convert to common shares promptly following the third and fifth anniversary of the closing of the acquisition, respectively, if certain revenue targets are achieved. The performance target for the first tranche was met prior to the third anniversary and 659,926 contingent convertible preferred shares were converted to common shares in April 2013. The second tranche of contingent convertible preferred shares is subject to a measurement period of revenues from April 1, 2013 to March 31, 2015. If the revenue target for the second tranche is achieved, the contingent convertible preferred shares will be converted to common shares on April 1, 2015. If the revenue target for the second tranche is not achieved, the remaining contingent convertible preferred shares will be canceled. The weighted number of shares and dilutive potential shares for the three month periods ended March 31, 2014 and 2013 do not include the contingent convertible preferred shares related to the second tranche, which will be included in our share count at the time the revenue threshold is met.

While we believe that the cash generated from operations and borrowings from the revolving bank loan facility will be sufficient to meet our expected operating needs, tax obligations, common dividends payments, share repurchases 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 current lender will continue to renew our revolving loan facility annually on comparable terms, or at all, and if it is not renewed that we would be able to obtain a new credit facility from a different lender. In that case, we could be required to promptly liquidate some of our remaining principal investments, issue additional securities, reduce operating costs or take a combination of these actions, in each case on terms which may not be favorable to us. In the event that we are not able to meet our liquidity needs, we may consider a range of financing alternatives to meet any such needs.

Cash Flows

In the three months ending March 31, 2014, our cash and cash equivalents decreased by $6.2 million from December 31, 2013. We generated $22.4 million from operating activities, including $19.5 million from net income after giving effect to the non-cash items and a net decrease in working capital of $2.9 million principally from the payment of annual bonuses offset by a decrease in advisory fees receivables. We used $0.2 million for investing activities, including $0.5 million for leasehold improvements, offset in part by distributions from other merchant banking funds of $0.3 million. We used $28.3 million in financing activities, including $14.3 million for the payment of dividends, $16.8 million for the repurchase of our common stock from employees in conjunction with the payment of tax liabilities in settlement of restricted stock units, and $2.5 million of tax costs related to delivery of restricted stock units at a market price on the date of vesting lower than the market price on the date of grant, offset, in part,by the funding of $5.4 million from net borrowings on our revolving loan facility.

In the three months ending March 31, 2013, our cash and cash equivalents decreased by $16.4 million from December 31, 2012, including a decrease of $0.5 million from the effect of the translation of foreign currency amounts into U.S. dollars at the quarter-end foreign currency conversion rates. We generated $16.2 million from operating activities, including $34.5 million from net income after giving effect to the non-cash items and a net increase in working capital of $18.3 million principally from the payment of annual bonuses and accrued income taxes. We generated $5.5 million from investing activities, from proceeds from the sale of Iridium of $5.6 million and distributions from other merchant banking funds of $0.2 million, offset by $0.3 million for equipment purchases. We used $37.6 million in financing activities, including $2.7 million of net repayments on our revolving loan facility, $14.1 million for the payment of dividends, $10.0 million for open market repurchases of our common stock, $10.5 million for the repurchase of our common stock from employees in conjunction with the payment of tax liabilities in settlement of restricted stock units and $0.2 million of tax costs related to delivery of restricted stock units at a market price on the date of vesting lower than the market price on the date of grant.

Off-Balance Sheet Arrangements

We do not invest in any 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

We limit our investments to (1) short-term cash investments, which we believe do not face any material interest rate risk, equity price risk or other market risk and (2) principal investments made in merchant banking investments. We maintain our cash and cash equivalents with financial institutions with high credit ratings. Although these deposits are generally not insured, management believes that the Firm is not exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

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 the United States due to potential currency movements and the associated foreign currency translation accounting requirements. We may hedge our foreign currency exposure if we expect we will need to fund U.S. dollar obligations with foreign currency.

With regard to our investments in merchant banking funds, we face exposure to changes in the fair value of the companies in which we have directly or indirectly invested, which historically has been volatile. We manage the risks associated with the merchant banking portfolio by assessing information provided by the funds.

In addition, the reported amounts of our advisory revenues may be affected by movements in the rate of exchange between the Australian dollar, Canadian dollar, pound sterling, euro, yen, krona and real (in which collectively 40% of our revenues for the period ended March 31, 2014 were denominated) and the dollar, in which our financial statements are denominated. We do not currently hedge against movements in these exchange rates. We analyzed our potential exposure to a decline in exchange rates by performing a sensitivity analysis on our net income in those jurisdictions in which we generated a significant portion of our foreign earnings, which included the United Kingdom, Europe and Australia. During the three month period ended March 31, 2014, as compared to the same period in 2013, the value of the U.S. dollar strengthened relative to the Australian dollar and weakened relative to the pound sterling and euro. In aggregate, there was not a significant impact on our revenues in the first three months of 2014 as compared to the same period in 2013 as a result of movements in the foreign currency exchange rates. While our earnings are subject to volatility from foreign currency changes, we do not believe we face any material risk in this respect.

Critical Accounting Policies and Estimates

We believe that the following discussion addresses Greenhill's most critical accounting policies, which are those that are most important to the presentation of our financial condition and results of operations and require management's most difficult, subjective and complex judgments. For further discussion of these and other significant accounting policies, see "Note 2 — Summary of Significant Accounting Policies" in our condensed consolidated financial statements, and our 2013 Annual Report on Form 10-K.

Basis of Financial Information

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

The condensed consolidated financial statements include all consolidated accounts of Greenhill & Co., Inc. and all other entities in which we have a controlling interest after eliminations of all significant inter-company accounts and transactions. In accordance with the accounting pronouncements on the consolidation of variable interest entities, we consolidate the general partners of the merchant banking funds in which it has a majority of the economic interest. The general partners account for their investments in the merchant banking funds under the equity method of accounting. As such, the general partners record their proportionate shares of income (loss) from the underlying merchant banking funds. As the merchant banking funds follow investment company accounting, and generally record all their assets and liabilities at fair value, the general partners' investment in merchant banking funds represents an estimation of fair value. We do not consolidate the merchant banking funds since we, through its general partner and limited partner interests, do not have a majority of the economic interest in such funds and the limited partners have certain rights to remove the general partner by a simple majority vote of unaffiliated third-party investors.

Revenue Recognition

Advisory Revenues

It is our policy to recognize revenue when (i) there is persuasive evidence of an arrangement with a client, (ii) the agreed-upon services have been completed and delivered to the client or the transaction or events noted in the engagement letter are determined to be substantially complete, (iii) fees are fixed and determinable, and (iv) collection is reasonably assured.

We recognize advisory fee revenues for mergers and acquisitions or financing advisory and restructuring engagements when the services related to the underlying transactions are completed in accordance with the terms of the engagement letter and all other requirements for revenue recognition are satisfied.

We recognize private equity and real estate capital advisory fees at the time of the client's acceptance of capital or capital commitments to a fund in accordance with the terms of the engagement letter. Generally, fee revenue is determined based upon a fixed percentage of capital committed to the fund. For multiple closings, revenue is recognized at each interim closing based on the amount of capital committed at each closing at the fixed fee percentage. At the final closing, revenue is recognized at the fixed percentage for the amount of capital committed since the last interim closing.

While the majority of our fee revenue is earned at the conclusion of a transaction or closing of a fund, on-going retainer fees, substantially all of which relate to non-success based strategic advisory and financing advisory and restructuring assignments, are also earned and recognized as advisory fee revenue over the period in which the related service is rendered.

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

Investment Revenues

Investment revenues consist of (i) gains (or losses) on our investments in certain merchant banking funds, Iridium (prior to the sale of our entire investment that was completed in December 2013) and other investments, and (ii) interest income.

We recognize revenue on our investments in merchant banking funds based on our allocable share of realized and unrealized gains (or losses) reported by such funds. We recognize revenue on our other investments, including Iridium, after considering our influence or control of the investee, based on gains and losses on investment positions held, which arise from sales or changes in the fair value of investments. The amount of gains or losses are not predictable and can cause periodic fluctuations in net income and therefore subject us to market and credit risk.

Cash and Cash Equivalents

Our cash and cash equivalents consist of (i) cash held on deposit with financial institutions, (ii) cash equivalents and (iii) restricted cash. The Company maintains its cash and cash equivalents with financial institutions with high credit ratings. We consider all highly liquid investments with a maturity date of three months or less, when purchased, to be cash equivalents. Cash equivalents primarily consist of money market funds and overnight deposits.

We do not believe that we are exposed to significant credit risk due to the financial position of the depository institutions in which those deposits are held.

Advisory Fees Receivables

Receivables are stated net of an allowance for doubtful accounts. The estimate for the allowance for doubtful accounts is derived by utilizing past client transaction history and an assessment of the client’s creditworthiness.

Included in the advisory fees receivable balance are long term receivables related to private equity and real estate capital advisory engagements, which are generally paid in installments over a period of three years. Included as a component of investment revenues on the condensed consolidated statements of income is interest income related to capital advisory engagements.

Credit risk related to advisory fees receivable is disbursed across a large number of clients located in various geographic areas. We control credit risk through credit approvals and monitoring procedures but do not require collateral to support accounts receivable.

Investments

Our investments in merchant banking funds are recorded under the equity method of accounting based upon our proportionate share of the estimated fair value of the underlying merchant banking fund's net assets. The value of merchant banking fund investments in privately held companies is determined by management of the fund after giving consideration to the cost of the security, the pricing of other sales of securities by the portfolio company, the price of securities of other companies comparable to the portfolio company, purchase multiples paid in other comparable third-party transactions, the original purchase price multiple, market conditions, liquidity, operating results and other qualitative and quantitative factors. Discounts may be applied to the funds' privately held investments to reflect the lack of liquidity and other transfer restrictions. Investments in publicly traded securities are valued using quoted market prices discounted for any legal or contractual restrictions on sale. Because of the inherent uncertainty of valuations as well as the discounts applied, the estimated fair values of investments in privately held companies may differ significantly from the values that would have been used had a ready market for the securities existed. The values at which our investments are carried on our condensed consolidated statements of financial condition are adjusted to estimated fair value at the end of each quarter, and the volatility in general economic conditions, stock markets and commodity prices may result in significant changes in the estimated fair value of the investments from period to period.

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Goodwill

Goodwill is the cost in excess of the fair value of identifiable net assets at acquisition date. We test goodwill for impairment at least annually. An impairment loss is triggered if the estimated fair value of an operating unit is less than estimated net book value. Such loss is calculated as the difference between the estimated fair value of goodwill and its carrying value.

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

Restricted Stock Units

We account for share-based compensation payments by recording the fair value of restricted stock units granted to employees as compensation expense. The restricted stock units are generally amortized over the five year service period following the date of grant. Compensation expense is determined based upon the fair market value of our common stock at the date of grant. As we expense the awards, the restricted stock units recognized are recorded within equity. The restricted stock units are reclassified into common stock and additional paid-in capital upon vesting. We record as treasury stock the repurchase of stock delivered to its employees in settlement of tax liabilities incurred upon the vesting of restricted stock units. We record dividend equivalent payments, net of forfeitures, on outstanding restricted stock units as a dividend payment and a charge to equity.

Earnings per Share

We calculate basic earnings per share (“EPS”) by dividing net income allocated to common stockholders by the sum of (i) the weighted average number of shares outstanding for the period and (ii) the weighted average number of shares deemed issuable due to the vesting of restricted stock units for accounting purposes. In addition, the outstanding contingent convertible preferred shares will be included in the weighted average number of shares to the extent the performance target is deemed to have been met.

We calculate diluted EPS by dividing net income allocated to common stockholders by the sum of (i) basic shares per above and (ii) the dilutive effect of the common stock deliverable pursuant to restricted stock units for which future service is required. Under the treasury method, the number of shares issuable upon the vesting of restricted stock units included in the calculation of diluted EPS is the excess, if any, of the number of shares expected to be issued, less the number of shares that could be purchased by us with the proceeds to be received upon settlement at the average market closing price during the reporting period.

Provision for Taxes

We account for taxes in accordance with the guidance for income taxes which requires the recognition of tax benefits or expenses on the temporary differences between the financial reporting and tax bases of its assets and liabilities.

We follow the guidance for income taxes in recognizing, measuring, presenting and disclosing in its financial statements uncertain tax positions taken or expected to be taken on its income tax returns. Income tax expense is based on pre-tax accounting income, including adjustments made for the recognition or derecognition related to uncertain tax positions. The recognition or derecognition of income tax expense related to uncertain tax positions is determined under the guidance.

Deferred tax assets and liabilities are recognized for the future tax attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period of change. We apply the “more-likely-than-not criteria” when determining tax benefits.

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 2013 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 of 2014:

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	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs (2)
Jan	—	$—	—	$75,000,000
Feb	—	—	—	75,000,000
Mar	—	—	—	75,000,000
Total	—		—	$75,000,000

(1) Excludes 323,190 shares we are deemed to have repurchased at $52.06 per share in the first quarter from employees in conjunction with the payment of tax liabilities in respect of stock delivered to employees in settlement of restricted stock units.

(2) The Board of Directors, effective on January 23, 2014, authorized the repurchase of up to $75,000,000 of our common stock during 2014.

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
10.1	Renewal and Modification Agreement, dated as of April 23, 2014, between First Republic Bank and Greenhill & Co., Inc.
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.

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SIGNATURES

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

Dated: May 1, 2014

GREENHILL & CO., INC.

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

By: /s/ CHRISTOPHER T. GRUBB
Christopher T. Grubb
Chief Financial Officer

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