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(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant 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  No

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.

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

As of May 5, 2016, there were 17,966,456 shares of Class A common stock, par value \$0.01 per share, and 303 shares of Class B common stock, par value \$0.01 per share, outstanding.

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

PJT Partners Inc.

## Condensed Consolidated and Combined Statements of Financial Condition (Unaudited)

(Dollars in Thousands, Except Share and Per Share Data)

	March 31, 2016	December 31, 2015
<b>Assets</b>		
Cash and Cash Equivalents	\$ 85,983	\$ 82,322
Restricted Cash	802	827
Accounts Receivable (net of allowance for doubtful accounts of \$837 and \$862 at March 31, 2016 and December 31, 2015, respectively)	182,137	169,590
Intangible Assets, Net	20,820	23,646
Goodwill	72,286	75,769
Furniture, Equipment and Leasehold Improvements, Net	36,484	31,490
Other Assets	20,229	14,920
Deferred Tax Assets	72,943	68,688
<b>Total Assets</b>	<b>\$ 491,684</b>	<b>\$ 467,252</b>
<b>Liabilities, Redeemable Non-Controlling Interests and Equity</b>		
Accrued Compensation and Benefits	\$ 68,488	\$ 81,221
Accounts Payable, Accrued Expenses and Other Liabilities	39,322	29,533
Deferred Rent Liability	15,197	12,414
Taxes Payable	2,430	1,672
Deferred Revenue	337	477
<b>Total Liabilities</b>	<b>125,774</b>	<b>125,317</b>
<b>Commitments and Contingencies</b>		
Redeemable Non-Controlling Interests	386,279	452,785
<b>Equity</b>		
Class A Common Stock, par value \$0.01 per share (3,000,000,000 shares authorized; 17,966,456 issued and outstanding at March 31, 2016; 17,966,456 issued and outstanding at December 31, 2015)	180	180
Class B Common Stock, par value \$0.01 per share (1,000,000 shares authorized; 303 issued and outstanding at March 31, 2016; 300 issued and outstanding at December 31, 2015)	—	—
<b>Retained Deficit</b>	<b>(20,637 )</b>	<b>(110,982 )</b>

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Accumulated Other Comprehensive Income (Loss)	88	(48 )
Total Equity	(20,369 )	(110,850 )
Total Liabilities, Redeemable Non-Controlling Interests		
and Equity	\$491,684	\$ 467,252

See notes to condensed consolidated and combined financial statements.



PJT Partners Inc.

Condensed Consolidated and Combined Statements of Operations (Unaudited)

(Dollars in Thousands, Except Share and Per Share Data)

	Three Months Ended March 31,	
	2016	2015
<b>Revenues</b>		
Advisory Fees	\$81,554	\$58,674
Placement Fees	31,951	23,134
Interest Income and Other	1,799	517
<b>Total Revenues</b>	<b>115,304</b>	<b>82,325</b>
<b>Expenses</b>		
Compensation and Benefits	88,171	79,635
Occupancy and Related	6,418	5,282
Travel and Related	2,745	3,304
Professional Fees	3,496	2,529
Communications and Information Services	2,053	1,406
Depreciation and Amortization	3,901	1,527
Other Expenses	5,787	3,331
<b>Total Expenses</b>	<b>112,571</b>	<b>97,014</b>
<b>Income (Loss) Before Provision for Taxes</b>	<b>2,733</b>	<b>(14,689)</b>
Provision for Taxes	1,302	1,418
<b>Net Income (Loss)</b>	<b>1,431</b>	<b>\$(16,107)</b>
Net Income Attributable to Redeemable Non-Controlling Interests	1,176	
<b>Net Income Attributable to PJT Partners Inc.</b>	<b>\$255</b>	
<b>Net Income Per Share of Class A Common Stock — Basic and Diluted</b>	<b>\$0.01</b>	
<b>Weighted-Average Shares of Class A Common Stock</b>		
Outstanding — Basic and Diluted	18,261,984	
<b>Dividends Declared Per Share of Class A Common Stock</b>	<b>\$0.05</b>	
<b>Revenues Earned from Affiliates</b>		
Advisory Fees	\$—	\$2,450
Placement Fees	\$—	\$1,068

See notes to condensed consolidated and combined financial statements.



PJT Partners Inc.

Condensed Consolidated and Combined Statements of Comprehensive Income (Loss) (Unaudited)

(Dollars in Thousands)

	Three Months Ended March 31,	
	2016	2015
Net Income (Loss)	\$1,431	\$(16,107)
Other Comprehensive Income, Net of Tax — Currency Translation		
Adjustment	136	1,083
Comprehensive Income (Loss)	1,567	\$(15,024)
Less		
Comprehensive Income Attributable to Redeemable Non-Controlling		
Interests	1,240	
Comprehensive Income Attributable to PJT Partners Inc.	\$327	

See notes to condensed consolidated and combined financial statements.

PJT Partners Inc.

## Condensed Consolidated and Combined Statements of Changes in Equity (Unaudited)

(Dollars in Thousands, Except Share Data)

	Shares					Accumulated	Former		Redeemable
	Class A	Class B	Class A	Class B	Retained	Other	Parent		Non-
	Common	Common	Common	Common	Deficit	Comprehensive	Company		Controlling
	Stock	Stock	Stock	Stock		Income (Loss)	Investment	Total	Interests
Balance at									
December 31, 2014	—	—	\$ —	\$ —	\$ —	\$ 1,010	\$ 331,310	\$ 332,320	\$ —
Net Loss	—	—	—	—	—	—	(16,107 )	(16,107 )	—
Currency									
Translation									
Adjustment	—	—	—	—	—	1,083	—	1,083	—
Net Increase in									
Former Parent									
Company									
Investment	—	—	—	—	—	—	4,041	4,041	—
Balance at March									
31, 2015	—	—	\$ —	\$ —	\$ —	\$ 2,093	\$ 319,244	\$ 321,337	\$ —
Balance at									
December 31, 2015	17,966,456	300	\$ 180	\$ —	\$(110,982)	\$ (48 )	\$ —	\$(110,850)	\$ 452,785
Net Income	—	—	—	—	255	—	—	255	1,176
Currency									
Translation									
Adjustment	—	—	—	—	—	136	—	136	—
Dividends	—	—	—	—	(934 )	—	—	(934 )	—
Non-Cash									
Contributions from									
Former Parent	—	—	—	—	2,376	—	—	2,376	—
Equity-Based									
Compensation	—	—	—	—	20,635	—	—	20,635	—
Forfeiture Liability									
for Equity Awards	—	—	—	—	331	—	—	331	—
Issuance of Shares									
of Class B Common									
Stock	—	4	—	—	(3,401 )	—	—	(3,401 )	3,401
Forfeitures of									
Shares of Class B	—	(1 )	—	—	1,511	—	—	1,511	(1,511 )

Common

Stock

Adjustment of  
Redeemable  
Non-Controlling

Interests to Fair Value	—	—	—	—	69,572	—	—	69,572	(69,572 )
Balance at March 31, 2016	17,966,456	303	\$ 180	\$ —	\$(20,637 )	\$ 88	\$—	\$(20,369 )	\$ 386,279

See notes to condensed consolidated and combined financial statements.

PJT Partners Inc.

Condensed Consolidated and Combined Statements of Cash Flows (Unaudited)

(Dollars in Thousands)

	Three Months Ended March 31,	
	2016	2015
<b>Operating Activities</b>		
Net Income (Loss)	\$1,431	\$(16,107)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by		
<b>Operating Activities</b>		
Equity-Based Compensation Expense	20,618	9,561
Excess Tax Benefits Related to Equity-Based Compensation	—	(71 )
Depreciation Expense	1,100	864
Amortization Expense	2,801	663
Bad Debt Expense (Recovery)	(25 )	609
Foreign Currency Transaction Gains	(421 )	—
Other Non-Cash Amounts Included in Net Income (Loss)	—	(111 )
<b>Cash Flows Due to Changes in Operating Assets and Liabilities</b>		
Accounts Receivable	(11,941)	3,295
Receivable from Affiliates	—	1,036
Due from Blackstone	—	(20,888)
Deferred Tax Assets	(666 )	—
Other Assets	(5,803 )	(173 )
Accrued Compensation and Benefits	(12,310)	22,937
Accounts Payable, Accrued Expenses and Other Liabilities	12,554	(931 )
Deferred Rent Liability	2,872	—
Deferred Tax Liabilities	15	—
Taxes Payable	759	(9 )
Deferred Revenue	(140 )	(371 )
<b>Net Cash Provided by Operating Activities</b>	<b>10,844</b>	<b>304</b>
<b>Investing Activities</b>		
Proceeds from Repayment of Note Issued to Employee	538	—
Purchases of Furniture, Equipment and Leasehold Improvements	(6,432 )	—
<b>Net Cash Used in Investing Activities</b>	<b>(5,894 )</b>	<b>—</b>
<b>Financing Activities</b>		
Dividends	(934 )	—
Principal Payments on Capital Lease Obligations	(25 )	—
Excess Tax Benefits Related to Equity-Based Compensation	—	71
Net Decrease from Former Parent Company Investment	—	(5,410 )
<b>Net Cash Used in Financing Activities</b>	<b>(959 )</b>	<b>(5,339 )</b>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(330 )	—
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>3,661</b>	<b>(5,035 )</b>
Cash and Cash Equivalents, Beginning of Period	82,322	38,533

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Cash and Cash Equivalents, End of Period	\$85,983	\$33,498
Supplemental Disclosure of Cash Flows Information		
Payments for Income Taxes, including those to Former Parent	\$722	\$666
Supplemental Disclosure of Significant Non-Cash Activities		
Non-Cash Contributions from Former Parent	\$2,376	\$—

See notes to condensed consolidated and combined financial statements.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

## 1. ORGANIZATION

On October 7, 2014, the board of directors of the general partner of The Blackstone Group L.P. (the “former Parent” or “Blackstone”) approved a plan to separate Blackstone’s strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses from Blackstone and combine the separated business with PJT Capital (as defined below) to form PJT Partners (“PJT Partners” or the “Company”), which separation occurred on October 1, 2015.

On October 1, 2015, Blackstone distributed on a pro rata basis to its common unitholders all of the issued and outstanding shares of Class A common stock of PJT Partners Inc. held by it. This pro rata distribution is referred to as the “Distribution.” The separation of the PJT Partners business from Blackstone and related transactions, including the Distribution, the internal reorganization that preceded the Distribution and the acquisition by PJT Partners of PJT Capital LP (together with its general partner and their respective subsidiaries, “PJT Capital”) that occurred substantially concurrently with the Distribution, is referred to as the “spin-off.”

The spin-off, including the consummation of the acquisition of PJT Capital and the Distribution is described in Note 3. “Reorganization and Spin-off.”

PJT Partners delivers a wide array of strategic advisory, restructuring and special situations and private fund advisory and placement services to corporations, financial sponsors, institutional investors and governments around the world. The Company offers a balanced portfolio of advisory services designed to help its clients realize major corporate milestones and solve complex issues. Also, through the Park Hill Group, the Company provides private fund advisory and placement services for alternative investment managers, including private equity funds, real estate funds and hedge funds.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The Company prepared the accompanying unaudited condensed consolidated and combined financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and the instructions to Form 10-Q. The condensed consolidated and combined financial statements, including these notes, are unaudited and exclude some of the disclosures required in audited financial statements. Management believes it has made all necessary adjustments (consisting of only normal recurring items) so that the condensed consolidated and combined financial statements are presented fairly and that estimates made in preparing its condensed consolidated and combined financial statements are reasonable and prudent. The operating results presented for interim periods are not necessarily indicative of the results that may be expected for any other interim period or for the entire year. These condensed consolidated and combined financial statements should be read in conjunction with the audited consolidated and combined financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 filed with the SEC.



As the sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs and consolidates the financial results of PJT Partners Holdings LP and its subsidiaries. The Company operates through the following subsidiaries: PJT Partners LP, Park Hill Group LLC, PJT Partners (UK) Limited and PJT Partners (HK) Limited.

The Company did not operate as an independent, stand-alone entity for all periods included in these condensed consolidated and combined financial statements. Prior to the spin-off on October 1, 2015, the Company's operations were included in Blackstone's results as they were historically managed as part of Blackstone, in conformity with GAAP. For periods prior to October 1, 2015, the accompanying condensed consolidated and combined financial statements were prepared on a stand-alone basis and were derived from the consolidated financial statements and accounting records of Blackstone. Prior to October 1, 2015, the condensed consolidated and combined financial statements included certain assets that were historically held at the Blackstone corporate level but were specifically identifiable or otherwise attributable to these financial statements, primarily goodwill and intangible assets. Additionally prior to October 1, 2015, Blackstone's net investment in PJT Partners is shown as Former Parent

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

Company Investment in lieu of Stockholders' Equity in the condensed consolidated and combined financial statements.

All intercompany transactions have been eliminated for all periods presented.

The Condensed Consolidated and Combined Statements of Operations reflect intercompany expense allocations made to the Company by Blackstone for certain corporate functions and for shared services provided by Blackstone prior to October 1, 2015. Where possible, these allocations were made on a specific identification basis and, in other cases, these expenses were allocated by Blackstone based on a pro rata basis of headcount, usage or some other basis depending on the nature of the allocated cost. Expenses without a specific consumption based indicator were allocated based on revenues adjusted for factors such as the size and complexity of the business. See Note 12. "Transactions with Related Parties" for further information on expenses allocated by Blackstone.

Both the Company and Blackstone consider the basis on which the expenses were previously allocated to be a reasonable reflection of the utilization of services provided to or the benefit received by the Company during the periods presented prior to October 1, 2015. The allocations may not, however, reflect the expense the Company would have incurred as an independent, publicly traded company for the periods presented. Actual costs that may have been incurred if PJT Partners had been a stand-alone company would depend on a number of factors, including the chosen organizational structure, which functions were outsourced or performed by employees and strategic decisions made in areas such as information technology and infrastructure. Following the spin-off, the Company has been performing these functions using its own resources or purchased services. For an interim period, however, some of these functions will continue to be provided by Blackstone, pursuant to a transition services agreement for a period of 24 months with the option for Blackstone or the Company to terminate any given service with 60 days' notice. See Note 12. "Transactions with Related Parties" for further information on services provided by Blackstone to the Company for the three months ended March 31, 2016.

The Company changed the presentation of certain prior year financial statement amounts to conform to the current year presentation. Previously, the Company reported Interest Income and Other Revenue in separate financial statement captions and combined Depreciation and Amortization Expense with Other Expenses. These changes in presentation had no effect on Net Income (Loss).

#### Use of Estimates

The preparation of condensed consolidated and combined financial statements and related disclosures in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the period in which they are determined to be necessary. In preparing the condensed consolidated and combined financial statements, management makes estimates regarding the adequacy of the allowance for doubtful accounts, evaluation of goodwill and intangible assets, realization of deferred taxes, measurement of equity-based compensation and other matters that affect the reported amounts and disclosures in the condensed consolidated and combined financial statements.

#### Business Combinations

The purchase price allocations for acquisitions are based on estimates of the fair value of tangible and intangible assets acquired and liabilities assumed. The Company engages independent valuation specialists, when necessary, to assist with purchase price allocations and uses recognized valuation techniques, including the income and market approaches, to determine fair value. Management makes estimates and assumptions in determining purchase price allocations and valuation analyses, which may involve significant unobservable inputs. The excess of the purchase price over the estimated fair values of the underlying assets acquired and liabilities assumed is allocated to goodwill. In certain circumstances, the allocations of the purchase price are based upon preliminary estimates and assumptions. Accordingly, the allocations may be subject to revision when the Company receives final

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

information, including appraisals and other analyses. Adjustments to provisional amounts that are identified during the measurement period are recognized in the reporting period in which the adjustment amounts are determined.

Assets acquired and liabilities assumed in business combinations are recorded in the Company's Condensed Consolidated and Combined Statements of Financial Condition as of the respective acquisition dates based upon their estimated fair values at such dates. The results of operations of businesses acquired by the Company are included in the Company's Condensed Consolidated and Combined Statements of Operations from their respective dates of acquisition.

#### Revenue Recognition

Revenues consist of Advisory Fees, Placement Fees and Interest Income and Other. Fees are recognized when (a) there is evidence of an arrangement with a client, (b) agreed upon services have been provided, (c) fees are fixed or determinable, and (d) collection is reasonably assured.

**Advisory Fees** – Advisory Fees consist of retainer and transaction-based fee arrangements related to strategic advisory services, restructuring and special situations services and secondary advisory services provided by Park Hill Group. Advisory retainer and transaction-based fees are recognized when services for the transactions are complete, in accordance with terms set forth in individual agreements. The majority of the Advisory Fees are dependent on the successful completion of a transaction.

**Placement Fees** – Placement Fees consist of fund placement services for alternative investment funds and private placements for corporate clients. Placement fees earned for services to corporate clients are recognized as earned upon successful completion of the transaction. Fund placement fees earned for services to alternative asset managers are typically recognized as earned upon acceptance by a fund of capital or capital commitments (referred to as a "closing"), in accordance with terms set forth in individual agreements. Fees for such closed-end fund arrangements are generally paid in quarterly installments over three or four years and interest is charged to the outstanding balance at an agreed upon rate (typically the London Interbank Offered Rate ("LIBOR") plus a market-based margin). For funds with multiple closings, each closing is treated as a separate performance obligation. As a result, revenue is recognized at each closing as the performance obligations are fulfilled. For open-end fund structures, placement fees are typically calculated as a percentage of a placed investor's month-end net asset value ("NAV"). Typically, fees for such open-end fund structures are earned over a 48 month period. For these arrangements, revenue is recognized monthly as the amounts become fixed and determinable.

The Company may receive non-refundable up-front fees upon execution of agreements with clients to provide placement services, which are recorded as revenues in the period over which services are provided.

Accrued but unpaid Advisory and Placement Fees are included in Accounts Receivable in the Condensed Consolidated and Combined Statements of Financial Condition.

**Interest Income and Other** – Interest Income and Other represents interest typically earned on Cash and Cash Equivalents and outstanding placement fees receivable as well as miscellaneous income and foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars. Interest on placement fees

receivable is earned from the time revenue is recognized and is calculated based upon LIBOR plus an additional percentage as mutually agreed upon with the receivable counterparty. Interest receivable is included in Accounts Receivable in the Condensed Consolidated and Combined Statements of Financial Condition.

Deferred Revenue – Deferred Revenue represents the receipt of Advisory and Placement Fees prior to such amounts being earned and is recognized using the straight-line method over the period that it is earned.

#### Fair Value of Financial Instruments

The carrying value of financial instruments approximates fair value. Financial instruments held by the Company include Cash Equivalents and Accounts Receivable.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

GAAP establishes a hierarchical disclosure framework which prioritizes and ranks the level of market price observability used in measuring financial instruments at fair value. Market price observability is affected by a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily available quoted prices in active markets generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Financial instruments measured and reported at fair value are classified and disclosed based on the observability of inputs used in the determination of fair values, as follows:

- Level I – Quoted prices are available in active markets for identical financial instruments as of the reporting date.
- Level II – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level III – Pricing inputs are unobservable for the financial instruments and includes situations where there is little, if any, market activity for the financial instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given financial instrument is based on the lowest level of input that is significant to the fair value measurement.

#### Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents. Cash and Cash Equivalents consist of cash which is primarily held at two major U.S. financial institutions.

#### Restricted Cash

Restricted cash consists of cash held at a financial institution related to deposits received from sublessees.

#### Accounts Receivable

Accounts Receivable includes placement fees, interest and advisory fee receivables. Accounts receivable are assessed periodically for collectibility and an allowance is recognized for doubtful accounts, if required.

Included in Accounts Receivable are long-term receivables which relate to placement fees that are generally paid in installments over a period of three to four years. Additional disclosures regarding Accounts Receivable are discussed in Note 5. “Accounts Receivable and Allowance for Doubtful Accounts.” The Company charges interest on long-term receivables based upon LIBOR plus an additional percentage as mutually agreed upon with the receivable counterparty.

The Company is reimbursed by certain clients for reasonable travel, telephone, postage and other out-of pocket expenses incurred in relation to services provided. Expenses that are directly related to such transactions and billable to clients are presented net in Accounts Receivable in the Condensed Consolidated and Combined Statements of Financial Condition.

#### Allowance for Doubtful Accounts

The Company performs periodic reviews of outstanding accounts receivable and its clients' financial condition. The Company generally does not require collateral and establishes an allowance for doubtful accounts

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

based upon factors such as historical experience, credit quality, age of the accounts receivable balances and the current economic conditions that may affect a counterparty's ability to pay such amounts owed to the Company.

After concluding that a reserved accounts receivable balance is no longer collectible, the Company will reduce both the gross receivable and the allowance for doubtful accounts. This is determined based on several factors including the age of the accounts receivable balance and the creditworthiness of the counterparty.

#### Goodwill and Intangible Assets

Goodwill recorded arose from the contribution and reorganization of Blackstone's predecessor entities in 2007 immediately prior to Blackstone's initial public offering ("IPO") as well as from the acquisition of PJT Capital LP that occurred on October 1, 2015. Goodwill is reviewed for impairment at least annually utilizing a qualitative or quantitative approach and more frequently if circumstances indicate impairment may have occurred. Goodwill is tested for impairment at the reporting unit level. A reporting unit is a component of an operating segment for which discrete financial information is available which is regularly reviewed by segment management. The impairment testing for goodwill under the qualitative approach is based first on a qualitative assessment to determine if it is more likely than not that the fair value of the Company's reporting unit is less than its respective carrying value. If it is determined that it is more likely than not that the reporting unit's fair value is less than its carrying value or when the quantitative approach is used, a two-step quantitative assessment is performed to (a) calculate the fair value of the reporting unit and compare it to its carrying value, and (b) if the carrying value exceeds its fair value, to measure an impairment loss.

The Company's intangible assets are derived from (a) customer relationships that were established as part of Blackstone's IPO, (b) the value of the trade name as part of the acquisition of PJT Capital LP, (c) the open customer backlog acquired as part of the PJT Capital LP acquisition, and (d) the purchase of certain customer mandates from Blackstone. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives of one to fifteen years, reflecting the average time over which such intangible assets are expected to contribute to cash flows. Amortization expense is included in Depreciation and Amortization in the Condensed Consolidated and Combined Statements of Operations. The Company does not hold any indefinite-lived intangible assets. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### Furniture, Equipment and Leasehold Improvements

Furniture, Equipment and Leasehold Improvements, Net consist primarily of leasehold improvements, furniture, fixtures and equipment and office equipment and are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the assets' estimated useful economic lives, which for leasehold improvements are the lesser of the lease terms or the life of the asset, generally ten to fifteen years, and five to seven years for other fixed assets. The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Depreciation and amortization are included in Depreciation and Amortization in the Condensed Consolidated and Combined Statements of Operations.



Fixed assets held under capital leases are recorded at the present value of the future minimum lease payments, less accumulated depreciation and amortization in Furniture, Equipment and Leasehold Improvements, Net in the Condensed Consolidated and Combined Statements of Financial Condition. Depreciation and amortization are calculated using the straight-line method over the life of the lease and are included in Depreciation and Amortization in the Condensed Consolidated and Combined Statements of Operations. The capital lease obligations are included in Accounts Payable, Accrued Expenses and Other Liabilities in the Condensed Consolidated and Combined Statements of Financial Condition.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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### Contingencies and Litigation

The Company records loss contingencies if (a) information available prior to issuance of the condensed consolidated and combined financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred at the date of the condensed consolidated and combined financial statements, and (b) the amount of loss can be reasonably estimated. If one or both criteria for accrual are not met, but there is at least a reasonable possibility that a loss will occur, the Company does not record an accrual for a loss contingency but describes the contingency and provides detail, when possible, of the estimated potential loss or range of loss. If an estimate cannot be made, a statement to that effect is made. Costs incurred with defending matters are expensed as incurred. Accruals related to loss contingencies are recorded in Other Expenses in the Condensed Consolidated and Combined Statements of Operations.

### Insurance Reimbursements

Receipts from insurance reimbursements up to the amount of the losses recognized are considered recoveries. These recoveries are accounted for when they are probable of receipt. Insurance recoveries are not recognized prior to the recognition of the related loss. Any receivable for insurance recoveries is recorded separately from the corresponding liability, and only if recovery is determined to be probable and reasonably estimable. Insurance reimbursements are recorded in Other Expenses in the Condensed Consolidated and Combined Statements of Operations.

### Foreign Currency

In the normal course of business, the Company may enter into transactions not denominated in U.S. dollars. Foreign exchange gains and losses arising on such transactions are recorded in Interest Income and Other in the Condensed Consolidated and Combined Statements of Operations. Non-U.S. dollar denominated assets and liabilities are translated to U.S. dollars at the exchange rate prevailing at the reporting date and income, expenses, gains and losses are translated at the prevailing exchange rate on the dates they were recorded. In addition, the Company consolidates a number of businesses that have a non-U.S. dollar functional currency. Cumulative translation adjustments arising from the translation of non-U.S. dollar denominated operations are recorded in Other Comprehensive Income.

### Comprehensive Income

Comprehensive Income consists of Net Income and Other Comprehensive Income. The Company's Other Comprehensive Income is comprised of foreign currency cumulative translation adjustments.

### Redeemable Non-Controlling Interests

The holders of the Partnership Units have redemption rights not solely within the Company's control and thus their ownership interest is considered a redeemable non-controlling interest. Redeemable Non-Controlling Interests have been presented separately from Equity in the Condensed Consolidated and Combined Statements of Financial Condition.

### Compensation and Benefits

Compensation and Benefits consists of (a) employee compensation, comprising salary and bonus (including certain awards with clawback mechanisms), and benefits paid and payable to employees and partners, and (b) equity-based compensation associated with the grants of equity-based awards to employees and partners. Compensation cost relating to the issuance of equity-based awards with a requisite service period to partners and employees is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed over the vesting period on a straight-line basis. Equity-based awards that do not require future service are expensed immediately. Cash settled equity-based awards are classified as liabilities and are remeasured at the end of each reporting period.

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Prior to October 1, 2015, certain of the Company's employees participated in Blackstone's equity-based compensation plans. Equity-based compensation expense related to these plans was based upon specific identification of cost related to the Company's employees. The Company also received allocated equity-based compensation expense associated with Blackstone's employees of central support functions.

In certain instances, the Company may grant equity-based awards containing both a service and a market condition. The effect of the market condition is reflected in the grant date fair value of the award. Compensation cost is recognized for an award with a market condition over the requisite service period, provided that the requisite service period is completed, irrespective of whether the market condition is satisfied. If a recipient terminates employment before completion of the derived service period, any compensation cost previously recognized is reversed unless the market condition has been satisfied prior to termination. If the market condition has been satisfied prior to termination, the remaining unrecognized compensation cost is recognized immediately.

#### Income Taxes

The Company is a corporation subject to U.S. federal, state and local income taxes in jurisdictions where it does business.

The Company's businesses generally operate as partnerships for U.S. federal and state purposes and as corporate entities in non-U.S. jurisdictions. In the U.S. federal and state jurisdictions, taxes related to income earned by these entities generally represent obligations of the individual members and partners. Historically, these taxes have not been reflected in the Company's condensed consolidated and combined financial statements. However, the operating entities are generally subject to New York City Unincorporated Business Tax ("UBT") and to entity-level income taxes imposed by non-U.S. jurisdictions, as applicable.

Prior to October 1, 2015, the Company's operations were included in the income tax returns of Blackstone's subsidiaries, except for certain entities that were classified as partnerships for U.S. tax purposes. These partnerships were subject to New York City UBT and certain other foreign, state and local taxes, as applicable.

In connection with the spin-off from Blackstone on October 1, 2015, the Company became subject to U.S. corporate federal, state and local income tax on its allocable share of results of operations from the operating partnership (PJT Partners Holdings LP).

Current tax liabilities are recorded in Taxes Payable in the Condensed Consolidated and Combined Statements of Financial Condition.

The Company uses the asset and liability method of accounting for deferred taxes assets and liabilities. Under this method, deferred tax assets and liabilities are recognized for the expected future tax consequences of differences between the carrying amounts of assets and liabilities and their respective tax bases, using the enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period when the change is enacted. Deferred tax assets are reduced by a valuation allowance when the Company believes that it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company records uncertain tax positions on the basis of a two-step process: (a) a determination is made whether it is more likely than not that the tax positions will be sustained based on the technical merits of the position, and (b) those tax positions that meet the recognition threshold described in the first step are recorded based on the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with the tax authority.

The effects of tax adjustments and settlements with taxing authorities are presented in the Company's condensed consolidated and combined financial statements in the period to which they relate as if the Company were a separate tax filer in those years.

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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The Company recognizes accrued interest and penalties related to uncertain tax positions in Other Expenses in the Condensed Consolidated and Combined Statements of Operations, as applicable.

Unrecognized tax benefits are recorded in Taxes Payable in the Condensed Consolidated and Combined Statements of Financial Condition, as applicable.

#### Recent Accounting Developments

In June 2014, the Financial Accounting Standards Board (“FASB”) issued amended guidance on revenue from contracts with customers. The guidance requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to (a) identify the contract(s) with a customer, (b) identify the performance obligations in the contract, (c) determine the transaction price, (d) allocate the transaction price to the performance obligations in the contract, and (e) recognize revenue when (or as) the entity satisfies a performance obligation. In determining the transaction price, an entity may include variable consideration only to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized would not occur when the uncertainty associated with the variable consideration is resolved. The guidance introduces new qualitative and quantitative disclosure requirements about contracts with customers including revenue and impairments recognized, disaggregation of revenue and information about contract balances and performance obligations. Information is required about significant judgments and changes in judgments in determining the timing of satisfaction of performance obligations and determining the transaction price and amounts allocated to performance obligations. Additional disclosures are required about assets recognized from the costs to obtain or fulfill a contract. As originally proposed, the guidance was effective prospectively for annual periods beginning after December 15, 2016 including interim periods within that reporting period. In recent re-deliberations, the FASB approved a one-year deferral of the effective date of this guidance, such that it will be effective for annual reporting periods beginning after December 31, 2017, with early adoption permitted for annual periods beginning after December 15, 2016. The Company is currently evaluating the impact of the new guidance and the method of adoption on the condensed consolidated and combined financial results.

In September 2015, the FASB issued guidance on measurement-period adjustments with respect to business combinations. The amendments apply to entities that have reported provisional amounts for items in a business combination for which the accounting is incomplete by the end of the reporting period in which the combination occurs and during the measurement period have an adjustment to provisional amounts recognized. An entity will be required to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined, not on a retrospective basis as previously required. The amendments should be applied prospectively to adjustments to provisional amounts that occur in fiscal years beginning after December 15, 2015, including interim periods within those fiscal years. Adoption of this guidance did not have a material impact on the Company’s condensed consolidated and combined financial statements.

In February 2016, the FASB issued new guidance regarding leases. The guidance requires lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. Entities are also required to provide enhanced disclosure about leasing arrangements. The amendments retain lease classifications, distinguishing finance leases from operating leases, using criteria that are substantially similar for distinguishing capital leases from

operating leases in previous guidance. The guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018, with early adoption permitted. Adoption requires a modified retrospective approach. The Company is currently assessing the impact the adoption of this guidance will have on its condensed consolidated and combined financial statements.

In March 2016, the FASB issued amendments to the guidance on employee share-based payment accounting intended to improve the accounting for employee share-based payments. This amended guidance simplifies several aspects of the accounting for share-based payment award transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification in the statement of cash flows. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those

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annual periods. Early adoption is permitted. The Company is currently evaluating the impact adoption of this guidance may have on the Company's condensed consolidated and combined financial statements.

### 3. REORGANIZATION AND SPIN-OFF

In connection with the spin-off on October 1, 2015, Blackstone underwent an internal reorganization, pursuant to which the operations that had historically constituted Blackstone's Financial Advisory reporting segment, other than Blackstone's capital markets services business, were contributed to PJT Partners Holdings LP, a newly-formed holding partnership that became controlled by PJT Partners Inc., as general partner. In the internal reorganization, the limited partners of the holding partnerships that owned Blackstone's operating subsidiaries and certain individuals engaged in the Company's business received Class A common stock of PJT Partners Inc., as well as common units of partnership interest in PJT Partners Holdings LP ("Partnership Units") that, subject to certain terms and conditions, are redeemable at the option of the holder for cash, or, at PJT Partners Holdings LP's election, for shares of PJT Partners Inc.'s Class A common stock on a one-for-one basis.

On October 1, 2015, prior to the distribution, PJT Partners Holdings LP acquired all of the outstanding equity interests in PJT Capital LP. In connection with the acquisition, Mr. Taubman and the other selling holders of equity interests in PJT Capital LP received unvested Partnership Units.

On October 1, 2015, following the internal reorganization and the acquisition, Blackstone distributed on a pro rata basis to its common unitholders, all of the issued and outstanding Class A common stock of PJT Partners Inc. held by it.

Following the spin-off, PJT Partners Inc. became a holding company and its sole asset is its controlling equity interest in PJT Partners Holdings LP. As the sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs and consolidates the financial results of PJT Partners Holdings LP and its subsidiaries. Following the spin-off, the ownership interest of the limited partners of PJT Partners Holdings LP is reflected as a redeemable non-controlling interest in PJT Partners Inc.'s condensed consolidated and combined financial statements.

Following the spin-off, the limited partners of PJT Partners Holdings LP also held all issued and outstanding shares of the Class B common stock of PJT Partners Inc. The shares of Class B common stock have no economic rights but entitle the holder, without regard to the number of shares of Class B common stock held, to a number of votes that is equal to the aggregate number of vested and unvested Partnership Units held by such holder on all matters presented to stockholders of PJT Partners Inc. other than director elections and removals. Shares of Class B common stock initially entitle holders to only one vote per share in the election and removal of directors of PJT Partners Inc. In certain circumstances provided in PJT Partners Inc.'s certificate of incorporation, however, all or a portion of the voting power of any share of Class B common stock may become entitled to vote on all matters on which stockholders are entitled to vote generally, including the election and removal of directors of PJT Partners Inc. The voting power on applicable matters afforded to holders of Partnership Units by their shares of Class B common stock is automatically



and correspondingly reduced as they exchange Partnership Units for cash or for shares of Class A common stock of PJT Partners Inc. pursuant to the exchange agreement. If at any time the ratio at which Partnership Units are exchangeable for shares of Class A common stock of PJT Partners Inc. changes from one-for-one, the number of votes to which Class B common stockholders are entitled on applicable matters will be adjusted accordingly. Holders of shares of PJT Partners Inc.'s Class B common stock will vote together with holders of PJT Partners Inc.'s Class A common stock as a single class on all matters on which stockholders are entitled to vote generally, except as otherwise required by law.

Following the spin-off, PJT Partners Inc. became the sole general partner of PJT Partners Holdings LP. PJT Partners Inc. owns less than 100% of the economic interest in PJT Partners Holdings LP, but has 100% of the voting power and controls the management of PJT Partners Holdings LP. As of March 31, 2016, the non-controlling interest was 47.3%. The percentage of the Net Income Attributable to the Redeemable Non-Controlling Interests varies from this percentage due to the differing level of income taxes applicable to the controlling interest.

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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Partnership Units are exchangeable at the option of the holder for cash, or, at the Company's election, for shares of Class A common stock on a one-for-one basis. The election to exchange Partnership Units is entirely within the control of the Partnership Unitholder, although the Company retains the sole option to determine whether to settle the exchange in either cash or shares of Class A common stock. A non-controlling interest with redemption features not solely within the Company's control is considered a redeemable non-controlling interest and is presented separately from Equity in the Condensed Consolidated and Combined Statements of Financial Condition.

In connection with the spin-off described above, several transactions took place which impacted the Company's condensed consolidated and combined financial statements including the following:

- The recording of the assets transferred and liabilities assumed of PJT Capital LP along with goodwill and intangible assets as part of the business combination (refer to Note 4. "Business Combinations");
- PJT Partners Inc.'s new capital structure, including the allocation of income (loss) between PJT Partners Inc. and redeemable non-controlling interests and the net settlement of the former Parent's net investment in PJT Partners;
- The recording of \$55.4 million in cash, which amount was determined prior to the spin-off and took into account the accounts receivable the business had as of the date of the spin-off and was designed to satisfy all regulatory and statutory reserve requirements to provide minimum working capital to the business;
  - PJT Partners (UK) Limited's purchase of open customer mandates from Blackstone, which were recorded as intangible assets on the Condensed Consolidated and Combined Statements of Financial Condition;
- The contribution of certain intangible assets and the related deferred tax assets that were previously held by Blackstone or its subsidiaries, including the establishment of a deferred tax asset (and a corresponding credit to Additional Paid-In Capital) of \$58.4 million associated with tax basis step-up arising from exchanges by Blackstone partners of their partnership interests in certain Blackstone subsidiaries;
- The reversal of severance charges related to the reorganization, spin-off and acquisition; and
- The settlement of account balances between the Company and Blackstone.

#### 4. BUSINESS COMBINATIONS

##### Acquisition of PJT Capital LP

On October 1, 2015, PJT Partners Holdings LP acquired all of the outstanding equity interests in PJT Capital LP. The effect of the transaction was a transfer of PJT Capital LP interests to PJT Partners Holdings LP in exchange for unvested PJT Partners Holdings LP units. No other consideration was transferred. This transaction was accounted for as a business combination and PJT Capital LP's operating results have been included in the Company's financial statements from the date of the transaction. The Company incurred \$0.1 million of costs related to the acquisition which were included in Professional Fees in the Condensed Consolidated and Combined Statements of Operations in the fourth quarter of 2015.



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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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The following table summarizes the estimated allocation of the purchase price for PJT Capital LP at the acquisition date as well as measurement period adjustments to date:

	December 31, 2015	Measurement Period Adjustments	March 31, 2016
<b>Assets</b>			
Cash	\$ 12,653	\$ —	\$ 12,653
Accounts Receivable	1,170	—	1,170
Furniture, Equipment and Leasehold Improvements	334	—	334
Other Assets	362	—	362
Intangible Assets	13,300	—	13,300
Deferred Tax Assets	—	3,483	3,483
Goodwill	6,896	(3,483 )	3,413
	34,715	—	34,715
<b>Liabilities</b>			
Accrued Compensation and Benefits	29,424	—	29,424
Accounts Payable, Accrued Expenses and Other			
Liabilities	4,626	—	4,626
Taxes Payable	665	—	665
	34,715	—	34,715
<b>Net Assets Acquired</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

The excess of the purchase price over the fair value of the net assets acquired of \$3.4 million was recorded as goodwill. Goodwill includes the in-place workforce, which allows the Company to continue serving its existing client base, begin marketing to potential clients and avoid significant costs reproducing the workforce. The transaction did not result in goodwill for tax purposes.

The estimated fair value of the intangible assets acquired, which consist of PJT Capital LP's backlog of client assignments that existed at the time of the acquisition and trade name is based, in part, on a valuation using an income approach or market approach and has been included in Intangible Assets, Net in the Condensed Consolidated and Combined Statements of Financial Condition. The estimated fair value ascribed to the identifiable intangible assets is amortized on a straight-line basis over the estimated remaining useful lives of the assets over periods ranging between one and ten years.

The Condensed Consolidated and Combined Statement of Operations for the three months ended March 31, 2016 includes the results of PJT Capital LP. Supplemental information on an unaudited pro forma basis, as if the acquisition

had been consummated as of January 1, 2014 is as follows:

	Three Months Ended March 31, 2015
Total Revenues	\$82,327
Loss Before Provision for Taxes	\$(16,300)
Net Loss	\$(17,859)

The unaudited pro forma results of operations do not purport to represent what the Company's results of operations would actually have been had the acquisition occurred on January 1, 2014, or to project the Company's results of operations for any future period. Actual future results may vary considerably based on a variety of factors beyond the Company's control.

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The pro forma results include (a) the amortization of identifiable intangible assets of PJT Capital LP, and (b) the estimated income tax expense related to the historical earnings of PJT Capital LP, which as a result of the acquisition, would be subject to income tax at the effective tax rate of the Company.

#### Acquisition of Customer Mandates

On October 1, 2015, PJT Partners (UK) Limited, a subsidiary of the Company, purchased certain open customer mandates and other assets from a subsidiary of its former Parent. This transaction was accounted for as an asset acquisition. There were no capitalized transaction costs and the total purchase price was \$1.5 million. The customer mandates acquired were recorded as intangible assets and are amortized over their estimated useful lives of one year. In connection with the transaction, the Company acquired \$1.3 million of customer mandates and \$0.2 million of other assets and liabilities, net.

#### 5. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Included in Accounts Receivable are long-term receivables of \$62.6 million as of March 31, 2016 and December 31, 2015, related to placement fees that are generally paid in installments over a period of three to four years. There were no long-term receivables with affiliates as of March 31, 2016 or December 31, 2015. The carrying value of such long-term receivables approximates fair value. Long-term receivables are classified as Level II in the fair value hierarchy.

The Company does not have any long-term receivables on non-accrual status. Long-term receivables which were more than 90 days past due as of March 31, 2016 and December 31, 2015 were \$1.8 million and \$2.2 million, respectively.

Changes in the allowance for doubtful accounts related to long-term receivables are presented below:

	Three Months Ended March 31, 2016	Year Ended December 31, 2015
Balance, Beginning of Period	\$ —	\$ 392
Allowance Recovery		(392 )
Balance, End of Period	\$ —	\$ —

#### 6. GOODWILL AND INTANGIBLE ASSETS

Changes in the carrying value of goodwill consist of the following:

Balance, December 31, 2015	\$75,769
Purchase Accounting Adjustment (a)	(3,483 )
Balance, March 31, 2016	\$72,286

(a) During the three months ended March 31, 2016, the Company recorded \$3.5 million of purchase accounting adjustments related to the acquisition of PJT Capital LP.

As of March 31, 2016 and December 31, 2015, the Company's assessment did not result in any impairment of goodwill.

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Intangible Assets, Net consists of the following:

	March 31, 2016	December 31, 2015
<b>Finite-Lived Intangible Assets</b>		
Customer Relationships	\$ 26,476	\$ 26,476
Client Backlog	7,600	7,600
Trade Name	5,700	5,700
Client Mandates and Other	1,461	1,483
Accumulated Amortization	(20,417 )	(17,613 )
<b>Intangible Assets, Net</b>	<b>\$ 20,820</b>	<b>\$ 23,646</b>

Amortization expense was \$2.8 million and \$0.7 million for the three months ended March 31, 2016 and 2015, respectively.

Amortization of Intangible Assets held at March 31, 2016 is expected to be \$9.0 million for the year ending December 31, 2016 and \$2.3 million for each of the years ending December 31, 2017, 2018, 2019 and 2020. The intangible assets as of March 31, 2016 are expected to amortize over a weighted-average period of 7.6 years.

#### 7. FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS

Furniture, Equipment and Leasehold Improvements, Net consists of the following:

	March 31, 2016	December 31, 2015
Office Equipment	\$ 1,873	\$ 1,873
Leasehold Improvements	29,312	23,330
Furniture and Fixtures	9,228	9,119
Accumulated Depreciation	(3,929 )	(2,832 )
<b>Furniture, Equipment and Leasehold Improvements, Net</b>	<b>\$ 36,484</b>	<b>\$ 31,490</b>



Depreciation expense, including allocations from the former Parent for the periods presented before October 1, 2015, was \$1.1 million and \$0.9 million for the three months ended March 31, 2016 and 2015, respectively.

#### 8. INCOME TAXES

The Company's operations were included in Blackstone subsidiaries' U.S. federal, state and foreign tax returns for taxable periods ending before the Company's spin-off and separation from Blackstone on October 1, 2015. With respect to such taxable periods, the Company's income taxes were calculated on a separate tax return basis. For subsequent periods, the Company is filing tax returns as a stand-alone entity, and its deferred taxes and effective tax rates may differ from those of the historical periods.

The Company's effective tax rate was 47.6% and -9.7% for the three months ended March 31, 2016 and 2015, respectively. The Company's income tax provision was \$1.3 million and \$1.4 million for the three months ended March 31, 2016 and 2015, respectively.

The Company's effective tax rate for the three months ended March 31, 2016 was largely attributable to corporate entities subject to U.S. federal, state, local and foreign income taxes; to non-corporate entities that are subject to New York City UBT and to certain compensation charges that are not deductible for tax purposes.

As of March 31, 2016, the Company had no unrecognized tax benefits.

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**9. NET INCOME PER SHARE OF CLASS A COMMON STOCK**

Basic and diluted net income per share of Class A common stock for the three months ended March 31, 2016 is presented below:

Numerator:	
Net Income	\$ 1,431
Net Income Attributable to Redeemable Non-Controlling Interests	1,176
Net Income Attributable to PJT Partners Inc.	\$255
Denominator:	
Weighted-Average Shares of Class A Common	
Stock Outstanding — Basic and Diluted	18,261,984
Net Income Per Share of Class A Common Stock — Basic and Diluted	\$0.01

The allocation of income (loss) between holders of shares of Class A common stock and the Redeemable Non-Controlling Interests began following the spin-off on October 1, 2015.

Partnership Units may be exchanged for PJT Partners Inc. Class A common stock on a one-for-one basis, subject to applicable lock-up, vesting and transfer restrictions. If all Partnership Units were exchanged for Class A common stock, fully diluted Class A common stock outstanding would be 34,323,463 as of March 31, 2016. In computing the dilutive effect, if any, that the aforementioned exchange would have on net income (loss) per share, net income (loss) attributable to holders of Class A common stock would be adjusted due to the elimination of the non-controlling interests associated with the Partnership Units (including any tax impact). For the three months ended March 31, 2016, such exchange is not reflected in diluted net income (loss) per share as the assumed exchange is not dilutive.

During the three months ended March 31, 2016, unvested restricted stock units (“RSUs”), participating RSUs and Partnership Units were all determined to be anti-dilutive and excluded from the calculation of net income per share of Class A common stock. The following amounts would have been included in this calculation if their effect were dilutive for the three months ended March 31, 2016:

Weighted-Average Unvested RSUs	1,186,918
Weighted-Average Participating RSUs	789,924
Weighted-Average Partnership Units	16,123,221

## 10. EQUITY-BASED COMPENSATION

### Overview

Until the consummation of the spin-off, certain of the Company's employees participated in Blackstone's equity compensation plans. The equity-based compensation expense recorded by the Company for the periods presented prior to October 1, 2015 includes the expense associated with the employees historically attributable to the Company's operations. As the equity-based compensation plans were Blackstone's plans, the amounts were previously recognized within Former Parent Company Investment and Due from Blackstone in the Condensed Consolidated and Combined Statements of Financial Condition.

Blackstone granted equity-based compensation awards to its partners, non-partner professionals, non-professionals and selected external advisers under its Amended and Restated 2007 Equity Incentive Plan (the "Equity Plan"), the majority of which were granted in connection with Blackstone's IPO. The Equity Plan allowed for the granting of options, unit appreciation rights or other unit-based awards (units, restricted units, restricted common units, deferred restricted common units, phantom restricted common units or other unit-based awards based

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in whole or in part on the fair value of Blackstone common units or Blackstone Holdings Partnership Units) which contained certain service or performance requirements.

On October 1, 2015, generally 50% of Blackstone’s unvested equity awards (other than awards scheduled to vest within 180 calendar days following the spin-off) held by employees of the Company were converted into equity awards of PJT at a ratio of 0.98 PJT equity awards for every unvested Blackstone equity award held prior to the spin-off. This conversion was based on an average trading price of Blackstone determined in advance of the spin-off and an assumed \$1.5 billion valuation for PJT Partners. These replacement awards have the same terms and conditions as the Blackstone equity awards, except that vesting conditions and settlement terms based on continued service to Blackstone are now based on continued service to the Company. As a result, the Company issued 963,517 RSUs in PJT Partners Inc. Class A common stock and 554,850 RSUs in PJT Partners Holdings LP.

In the event that the value of the converted PJT equity award during each 20-trading day period within the first 180 calendar days following the spin-off is less than the hypothetical value that the relinquished Blackstone award would have had over the same periods, then PJT’s personnel will receive a “true-up award” in an amount equal to the shortfall, with the shortfall calculated using 20-trading day volume-weighted average trading prices of PJT Partners Inc. and Blackstone during the last 20-trading days of the 180 days following the spin-off. If, on the other hand, the value of the converted PJT Partners equity awards is equal to or greater than the value of hypothetical value of the relinquished award in any of the 20-trading day measurement periods, then no true-up will be payable. The true-up award will be payable by Blackstone in cash, Blackstone equity or PJT Partners equity, at Blackstone’s discretion. The true-up award will be subject to terms and conditions as determined by Blackstone in its sole discretion after consultation with PJT. The 180 calendar day period ended on March 28, 2016.

As the conversion and true-up features are considered modifications of an award, the Company compared the fair value of the award immediately prior to the spin-off to the fair value immediately after the spin-off to measure the incremental compensation cost. The conversion and true-up did not result in increases in the fair value of the awards; as such, no incremental cost on these awards was recognized.

The following table represents stock-based compensation expense and related income tax benefits for the three months ended March 31, 2016 and 2015, respectively:

	Three Months Ended March 31,	
	2016	2015
Stock-Based Compensation Expense	\$20,618	\$25,259
Income Tax Benefit	\$4,135	\$46

2015 Omnibus Incentive Plan

On October 1, 2015, the Company adopted the PJT Partners Inc. 2015 Omnibus Incentive Plan (the “PJT Equity Plan”) for the purpose of providing incentive compensation measured by reference to the value of the Company’s common stock or Partnership Units. The PJT Equity Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, partnership interests and other stock-based or cash-based awards. The Company has initially authorized 12.2 million shares of Class A common stock for issuance under the PJT Equity Plan.

#### Restricted Stock Units

Pursuant to the PJT Equity Plan and in connection with the Company’s spin-off from Blackstone, annual compensation process and ongoing hiring process, the Company has issued 564,045 shares of RSUs in the three months ended March 31, 2016 which generally vest over a service life of three to five years. Awards are forfeited if the employee ceases to be employed by the Company prior to vesting or does not meet the requisite service requirement.

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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A summary of the status of the Company's unvested RSUs in PJT Partners Inc. and PJT Partners Holdings LP as of March 31, 2016 and of changes during the period January 1, 2016 through March 31, 2016 is presented below:

	Restricted Stock Units		PJT Partners Holdings LP	
	PJT Partners Inc.			
	Weighted-Average Grant Date	Weighted-Average Grant Date	Number of Partnership Units	Weighted-Average Grant Date
	Number of Units	Fair Value (in dollars)	Fair Value (in dollars)	
Balance, December 31, 2015	5,344,573	\$ 20.98	554,850	\$ 23.73
Granted	564,045	27.50	—	—
Vested	(3,817 )	21.89	—	—
Forfeited	(114,541 )	23.96	—	—
Dividends Reinvested on Participating RSUs	733	24.90	—	—
Balance, March 31, 2016	5,790,993	\$ 21.55	554,850	\$ 23.73

As of March 31, 2016, there was \$100.3 million of estimated unrecognized compensation expense related to unvested RSU awards. The Company assumes a forfeiture rate of 1.0% to 16.7% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 2.0 years.

#### Partnership Units

In connection with the spin-off on October 1, 2015, Blackstone underwent an internal reorganization, pursuant to which the operations that had historically constituted Blackstone's Financial Advisory reporting segment, other than Blackstone's capital markets services business, were contributed to PJT Partners Holdings LP, a newly-formed holding partnership that became controlled by PJT Partners Inc., as general partner. In the internal reorganization, the limited partners of the holding partnerships that owned Blackstone's operating subsidiaries and certain individuals engaged in the Company's business received Class A common stock of PJT Partners Inc., as well as Partnership Units that, subject to certain terms and conditions, are redeemable at the option of the holder for cash, or, at PJT Partners Holdings LP's election, for shares of PJT Partners Inc. Class A common stock on a one-for-one basis.

As of March 31, 2016, partners held 5,371,357 unvested Partnership Units, which generally vest over a service life of five years.

A summary of the status of the Company's unvested Partnership Units as of March 31, 2016 and of changes during the period January 1, 2016 through March 31, 2016 is presented below:

	Partnership Units	Weighted- Average Grant Date	Fair Value (in dollars)
	Number of Partnership Units		
Balance, December 31, 2015	5,315,000		\$ 21.00
Granted	120,228		28.29
Forfeited	(63,871 )		28.29
Balance, March 31, 2016	5,371,357		\$ 21.08

As of March 31, 2016, there was \$86.8 million of estimated unrecognized compensation expense related to unvested Partnership Units. The Company assumes a forfeiture rate of 5.5% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 2.8 years.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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## Equity-Based Awards with Both Service and Market Conditions

In connection with the spin-off, the Company also granted equity-based awards containing both service and market conditions. The effect of the market condition is reflected in the grant date fair value of the award. Compensation cost is recognized over the requisite service period, provided that the service period is completed, irrespective of whether the market condition is satisfied.

In connection with the spin-off, the Company issued 6,530,048 equity-based awards with a service condition requirement over five years with 20% vesting in the third year, 30% in the fourth year and 50% in the fifth year. The market condition requirement will be satisfied upon the publicly traded shares of Class A common stock achieving certain volume weighted-average share price targets over any consecutive 30-day trading period following the consummation of the spin-off, pro-ratably at \$48, \$55, \$63, \$71 and \$79 per share of Class A common stock.

The market condition requirements must be met prior to the sixth anniversary of the consummation of the spin-off. No portion of these awards will become vested until both the service and market conditions have been satisfied.

A summary of the status of the Company's unvested equity-based awards in PJT Partners Holdings LP with both a service and market condition as of March 31, 2016 and of changes during the period January 1, 2016 through March 31, 2016 is presented below:

	Equity-Based Awards with	
	Both Service and Market	
	Conditions	
	Number of	Weighted-
	Partnership	Average
	Units	Grant
		Date
		Fair Value
		(in
		dollars)
Balance, December 31, 2015	6,530,048	\$ 5.72
Forfeited	(12,659 )	5.72
Balance, March 31, 2016	6,517,389	\$ 5.72

As of March 31, 2016, there was \$27.5 million of estimated unrecognized compensation expense related to equity-based awards with both a service and market condition. The Company assumes a forfeiture rate of 5.5% annually based on expected turnover and periodically reassesses this rate. This cost is expected to be recognized over a weighted-average period of 3.2 years.



Units Expected to Vest

The following unvested units, after expected forfeitures, as of March 31, 2016, are expected to vest:

	Units	Weighted-Average Service Period in Years
Partnership Units	10,215,896	3.0
Restricted Stock Units	5,490,739	2.0
Total Equity-Based Awards	15,706,635	2.7

11. STOCKHOLDERS' EQUITY

Class A and Class B Common Stock

In connection with the spin-off on October 1, 2015, the Company issued 17,966,456 shares of Class A common stock. Holders of shares of the Company's Class A common stock are (a) entitled to one vote for each

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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share held of record on all matters on which stockholders are entitled to vote generally, including the election or removal of directors; (b) entitled to receive dividends when and if declared by the Company's board of directors out of funds legally available therefor; and (c) entitled to receive pro rata the Company's remaining assets available for distribution upon any liquidation, dissolution or winding up of the Company.

As of March 31, 2016, 17,966,456 shares of Class A common stock were issued and outstanding.

Additionally, in connection with the spin-off, the Company issued 300 shares of Class B common stock. With respect to all matters presented to stockholders of the Company other than director elections and removals, each holder of Class B common stock is entitled, without regard to the number of shares of Class B common stock held by such holder, to one vote for each partnership unit (including for this purpose, the number of Partnership Units that would be held by such holder assuming the conversion on such date of all vested and unvested LTIP Units held of record by such holder) in PJT Partners Holdings LP held by such holder. Shares of Class B common stock will initially entitle holders to only one vote per share in the election and removal of directors of PJT Partners Inc. However, all or a portion of the voting power of Class B common stock with respect to the election of directors of the Company may be increased to up to the number of votes to which a holder is then entitled on all other matters presented to stockholders. By written notice to the Company, each holder of Class B common stock may, at any time, request that such holder become entitled to a number of votes in the election and removal of directors of the Company not to exceed at any time the number of votes to which such holder is then entitled on all other matters presented to stockholders, or such lesser number of votes as may be specified in such holder's request. The Company's board of directors, in its sole discretion, may approve or decline any such request, and no such holder shall become entitled to such requested voting power in respect of such shares of Class B common stock unless and until the board of directors approves such request. Class B common stockholders have no economic rights in the Company, and do not have any right to receive dividends or to receive a distribution upon a liquidation or winding up of the Company.

As of March 31, 2016, 303 shares of Class B common stock were issued and outstanding.

#### Redeemable Non-Controlling Interests

Following the spin-off, PJT Partners Inc. became the sole general partner of PJT Partners Holdings LP. PJT Partners Inc. owns less than 100% of the economic interest in PJT Partners Holdings LP, but has 100% of the voting power and controls the management of PJT Partners Holdings LP. As of March 31, 2016, the non-controlling interest was 47.3%. The percentage of the Net Income Attributable to the Redeemable Non-Controlling Interests varies from this percentage due to the differing level of income taxes applicable to the controlling interest.

Partnership Units are exchangeable at the option of the holder for cash, or, at the Company's election, for shares of Class A common stock on a one-for-one basis. The election to exchange Partnership Units is entirely within the control of the Partnership Unitholder, although the Company retains the sole option to determine whether to settle the exchange in either cash or shares of Class A common stock. A non-controlling interest with redemption features not solely within the Company's control is considered a redeemable non-controlling interest and is presented separately from Equity in the Condensed Consolidated and Combined Statements of Financial Condition.

PJT Partners Inc. operates and controls all of the business and affairs of PJT Partners Holdings LP and its operating entity subsidiaries indirectly through its equity interest in PJT Partners Holdings LP; therefore the shares of Class A common stock outstanding represent the controlling interest.

#### 12. TRANSACTIONS WITH RELATED PARTIES

Prior to the spin-off on October 1, 2015, the Company was managed and operated in the normal course of business with other affiliates of Blackstone. Accordingly, certain shared costs were allocated to the Company and reflected as expenses in the stand-alone Condensed Consolidated and Combined Statements of Operations. Management of Blackstone and the Company considered the allocation methodologies used to be reasonable and appropriate reflections of the historical expenses attributable to the Company for purposes of the stand-alone

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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financial statements. The expenses reflected in the Condensed Consolidated and Combined Statements of Operations may not be indicative of expenses that will be incurred by the Company in the future.

In connection with the spin-off on October 1, 2015, Blackstone is no longer an affiliate of the Company. Accordingly, for periods subsequent to October 1, 2015, revenues earned from Blackstone are no longer reported as Revenues Earned from Affiliates in the Condensed Consolidated and Combined Statements of Operations and receivables from Blackstone are no longer included in Receivable from Affiliates in the Condensed Consolidated and Combined Statements of Financial Condition.

During the three months ended March 31, 2016, the Company recorded \$0.3 million related to certain professional fees payable to Blackstone. As of March 31, 2016, the Company had amounts payable to Blackstone for such expenses of \$0.3 million.

Certain purchases of furniture, equipment and leasehold improvements were paid by Blackstone on the Company's behalf. As of March 31, 2016 and December 31, 2015, the Company had amounts payable to Blackstone for such costs of \$7.2 million and \$4.0 million, respectively.

On December 31, 2015, a client remitted a \$4.5 million payment to Blackstone in settlement of an accounts receivable balance instead of the Company. Blackstone subsequently wired such amount to the Company on January 4, 2016. As of December 31, 2015, such amount was included in Accounts Receivable in the Condensed Consolidated and Combined Statements of Financial Condition.

#### Revenues Earned from Affiliates

There were no Advisory Fees earned from affiliates for the three months ended March 31, 2016. Advisory Fees earned from affiliates totaled \$2.5 million for the three months ended March 31, 2015, representing 4.2% of total Advisory Fees. There were no Placement Fees earned from affiliates for the three months ended March 31, 2016. Placement Fees earned from affiliates totaled \$1.1 million for the three months ended March 31, 2015, representing 4.6% of total Placement Fees. These fees were earned in the ordinary course of business.

There was no Interest Income earned from affiliates for the three months ended March 31, 2016. Interest Income earned from affiliates totaled \$0.1 million for the three months ended March 31, 2015.

#### Corporate Allocations

Prior to the spin-off on October 1, 2015, Blackstone historically provided the Company with various office facilities, administrative and operational support services at cost. Such expenses were historically allocated to the Company based upon an established methodology appropriate to the expense. Under this methodology, expenses incurred by support service groups were allocated based upon agreed expense drivers. Example allocation methodologies included time and labor studies and proportional usage, headcount or square footage measures. Additionally, Blackstone incurred expenses on behalf of the Company that were specifically attributed to the Company. Such expenses were comprised principally of compensation and benefits, occupancy and office services, communications and information services, research and professional fees. The Company reimbursed Blackstone for its share of all such expenses paid

on its behalf.

Additionally, Blackstone previously provided bill paying, payroll, cash management and foreign currency risk services on behalf of the Company. These arrangements generated amounts due to or due from Blackstone which were previously reflected in Due from Blackstone in the Condensed Consolidated and Combined Statements of Financial Condition.

Management believes the assumptions underlying the condensed consolidated and combined financial statements for periods presented prior to October 1, 2015 are reasonable. Nevertheless, the condensed consolidated and combined financial statements may not have included all of the actual expenses that would have been incurred and may not have reflected the Company's combined results of operations, financial position and cash flows had it

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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been a stand-alone company during the periods presented. Actual costs that would have been incurred if PJT Partners Inc. had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure.

#### Agreements with Blackstone

##### Transition Services Agreement

In connection with the spin-off, the Company entered into a Transition Services Agreement with Blackstone under which Blackstone or its respective affiliates will provide the Company with certain services for a period of up to 24 months from the date of the spin-off (subject to the earlier termination of the agreement or any or all of the services provided thereunder in the circumstances set forth therein) to help ensure an orderly transition for each of the Company and Blackstone following the distribution. Pursuant to the Transition Services Agreement, Blackstone agreed to provide the Company certain finance, information technology, human resources and compensation, facilities, legal and compliance, external relations and public company services. The Company pays Blackstone for any such services at agreed amounts as set forth in the Transition Services Agreement. In addition, from time to time during the term of the agreement, the Company and Blackstone may mutually agree on additional services to be provided by Blackstone to us at pricing based on market rates that are reasonably agreed by the parties.

As of March 31, 2016 and December 31, 2015, the Company had amounts payable to Blackstone with respect to the Transition Services Agreement of \$0.5 million.

##### Employee Matters Agreement

In connection with the spin-off, the Company entered into an Employee Matters Agreement with Blackstone that governs the respective rights, responsibilities and obligations of the parties from and after the spin-off with respect to employee-related liabilities and the Company's respective retirement plans, nonqualified deferred compensation plans, health and welfare benefit plans and equity-based compensation plans (including the treatment of outstanding awards thereunder). The Employee Matters Agreement generally provides for the allocation and treatment of assets, account balances and liabilities, as applicable, arising out of incentive plans, retirement plans, nonqualified deferred compensation plans and employee health and welfare benefit programs in which the Company's employees participated prior to the spin-off.

The Company retained or otherwise assumed all liabilities for current and former employees and employees of Blackstone who became the Company's employees upon consummation of the spin-off. Blackstone retained or otherwise assumed liabilities with respect to the employment, service, termination of employment or termination of service of its former employees who, immediately prior to their separation from Blackstone, primarily provided services in respect of the Company's business (except that the Company assumed certain specified liabilities). For at least 12 months following the spin-off, each individual who remains employed by the Company will receive (a) a base salary and bonus opportunity that generally are no less favorable in aggregate than those provided immediately before the spin-off, and (b) other compensation and employee benefits that are substantially similar in the aggregate to those in effect immediately prior to the spin-off. The Company assumed all annual cash incentive arrangements with respect to the Company's personnel and adopted new welfare, 401(k) and similar plans for the Company's personnel. However,

Blackstone reimbursed the Company for the amount of 2015 annual incentive compensation that was accrued by Blackstone for such employees prior to the spin-off date.

The Company is required to reimburse Blackstone for the value of forfeited unvested equity awards granted to former Blackstone employees that transitioned to PJT Partners in connection with the spin-off. Such reimbursement is recorded in Accounts Payable, Accrued Expenses and Other Liabilities with an offsetting credit to equity in the Condensed Consolidated and Combined Statements of Financial Condition. The Company will cash settle the liability to Blackstone quarterly as the forfeitures attributable to these employees crystallize. As of March 31, 2016 and December 31, 2015, the accrual for these forfeitures was \$1.0 million and \$1.3 million, respectively.

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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#### Tax Matters Agreement

The Company entered into a Tax Matters Agreement with Blackstone that governs the respective rights, responsibilities and obligations of the Company and Blackstone after the spin-off with respect to tax liabilities and benefits, tax attributes, tax contests and other tax sharing regarding U.S. federal, state, local and foreign income taxes, other tax matters and related tax returns. The Company has joint and several liability with Blackstone to the IRS for the consolidated U.S. federal income taxes of the Blackstone consolidated group relating to the taxable periods in which the Company was part of that group. However, the Tax Matters Agreement specifies the portion, if any, of this tax liability for which the Company bears responsibility, and Blackstone agrees to indemnify the Company against any amounts for which the Company is not responsible. The Tax Matters Agreement also provides special rules for allocating tax liabilities in the event that the spin-off is determined not to be tax-free. Though valid as between the parties, the Tax Matters Agreement is not binding on the IRS.

#### Exchange Agreement

The Company entered into an exchange agreement with the limited partners of PJT Partners Holdings LP pursuant to which they (or certain permitted transferees) have the right, subject to the terms and conditions set forth in the limited partnership agreement of PJT Partners Holdings LP, on a quarterly basis, from and after the first anniversary of the date of the consummation of the spin-off (subject to the terms of the exchange agreement), to exchange all or part of their Partnership Units for cash, or, at the Company's election, for shares of PJT Partners Inc. Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. The price per Partnership Unit to be received in a cash-settled exchange will be equal to the fair value of a share of PJT Partners Inc. Class A common stock (determined in accordance with and subject to adjustment under the exchange agreement). In the event cash-settled exchanges of Partnership Units are funded with new issuances of Class A common stock, the fair value of a share of PJT Partners Inc. Class A common stock will be deemed to be equal to the net proceeds per share of Class A common stock received by PJT Partners Inc. in the related issuance. Accordingly, in this event, the price per Partnership Unit to which an exchanging Partnership Unitholder will be entitled may be greater than or less than the then-current market value of PJT Partners Inc. Class A common stock. The exchange agreement also provides that a holder of Partnership Units will not have the right to exchange Partnership Units in the event that PJT Partners Inc. determines that such exchange would be prohibited by law, would result in any breach of any debt agreement or other material contract of PJT Partners Inc. or PJT Partners Holdings LP.

#### Registration Rights Agreement

The Company entered into a registration rights agreement with the limited partners of PJT Partners Holdings LP pursuant to which the Company granted them, their affiliates and certain of their transferees the right, under certain circumstances and subject to certain restrictions, to require the Company to register under the Securities Act shares of Class A common stock delivered in exchange for Partnership Units.

#### Promissory Note



As of December 31, 2015, there was a \$0.6 million unsecured promissory note from an employee held by the Company. The outstanding principal balance and accrued interest was included in Other Assets in the Condensed Consolidated and Combined Statements of Financial Condition. The promissory note bore a variable interest rate of the prime rate less one percent per annum, determined as of the date of the promissory note and then on the twentieth day of each month thereafter until the promissory note is repaid. During the three months ended March 31, 2016, the promissory note was repaid.

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Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

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### 13. COMMITMENTS AND CONTINGENCIES

#### Commitments

##### Line of Credit

On October 1, 2015, PJT Partners Holdings LP entered into a Loan Agreement (the “Loan Agreement”) and related documents with First Republic Bank. The Loan Agreement provides for a revolving credit facility with aggregate commitments in an amount equal to \$60.0 million, which aggregate commitments may be increased, on the terms and subject to the conditions set forth in the Loan Agreement, to up to \$80.0 million during the period beginning December 1 each year through March 1 of the following year. The revolving credit facility will mature and the commitments thereunder will terminate on October 2, 2017. The proceeds of the revolving credit facility are available for working capital and general corporate purposes. Interest on the borrowings is based on the prime rate minus 1.0% and undrawn commitments bear a commitment fee. The Loan Agreement contains customary representations, covenants and events of default. Financial covenants consist of a minimum consolidated tangible net worth, maximum leverage ratio, minimum consolidated liquidity ratio and limitation on additional indebtedness, each tested quarterly.

As of March 31, 2016, there were no borrowings under the revolving credit facility and the Company was in compliance with the debt covenants.

##### Leases

The Company leases office space under non-cancelable lease agreements, which expire at various dates through 2030. Occupancy lease agreements, in addition to base rentals, generally are subject to escalation provisions based on certain costs incurred by the landlord and are recognized on a straight-line basis over the term of the lease agreement.

Total rent expense, including former Parent allocations of rent expense for periods prior to the spin-off, of \$6.3 million and \$4.9 million is included in Occupancy and Related in the Condensed Consolidated and Combined Statements of Operations for the three months ended March 31, 2016 and 2015, respectively. These amounts include variable operating escalation payments, which are paid when invoiced.

At March 31, 2016 and December 31, 2015, the Company’s former Parent maintained irrevocable standby letters of credit for the operating leases of \$5.3 million and \$5.5 million, respectively.

Capital lease obligations recorded are payable through 2020 at a weighted-average interest rate of 2.3%. The net book value of all assets recorded under capital leases aggregated \$0.4 million at March 31, 2016 and December 31, 2015.

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As of March 31, 2016, the aggregate minimum future payments required on non-cancelable leases are as follows:

Year Ending December 31,	Minimum Lease Payments	
	Capital	Operating
2016	\$70	\$15,368
2017	94	23,112
2018	94	20,876
2019	94	20,403
2020	69	19,510
Thereafter	—	130,300
Total Minimum Lease Payments	421	229,569
Less: Amount Representing Interest	21	
Capital Lease Obligation	\$400	
Less: Sublease Proceeds		13,132
Net Minimum Lease Payments		\$216,437

## Litigation

From time to time, the Company is named as a defendant in legal actions relating to transactions conducted in the ordinary course of business. Some of these matters may involve claims of substantial amounts. Although there can be no assurance of the outcome of such legal actions, in the opinion of management, after consultation with external counsel, the Company believes it is not probable and/or reasonably possible that any current legal proceedings or claims would individually or in the aggregate have a material adverse effect on the condensed consolidated and combined financial statements of the Company.

As previously disclosed, the Company terminated Andrew Caspersen on March 28, 2016 after learning of a number of unauthorized and unlawful transactions outside the scope of his employment with Park Hill. Based on the Company's current assessment related to this matter, the Company has recorded an expense accrual of \$8.9 million, which represents the amount that is considered to be probable and reasonably estimable. The Company has also assessed that it is probable that it will receive \$5.6 million in related insurance reimbursement, which has also been recorded in the financial statements.

With respect to potential additional claims related to funds fraudulently obtained by Mr. Caspersen, the Company believes that any such claims would be without merit and would vigorously defend any such actions.

For other matters, including the litigation discussed under the caption "Legal Proceedings" elsewhere in this report, the Company is not currently able to estimate the possible loss or range of loss. The Company is often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support such an assessment, including quantification of a damage demand from plaintiffs, discovery from other parties and

investigation of factual allegations, rulings by courts on motions or appeals, analysis by experts or the status of any settlement negotiations.

#### Indemnification

The Company enters into contracts, including contracts with Blackstone relating to the spin-off, that contain a variety of indemnifications. The Company's maximum exposure under these arrangements is not known. However, the Company has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

#### 14. EMPLOYEE BENEFIT PLANS

The Company contributes to employer sponsored defined contribution plans for certain employees, subject to eligibility and statutory requirements. The Company incurred expenses with respect to these defined contribution

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plans in the amounts of \$0.3 million and \$0.2 million for the three months ended March 31, 2016 and 2015, respectively, which are included in Compensation and Benefits in the Condensed Consolidated and Combined Statements of Operations.

#### 15. REGULATED ENTITIES

Certain subsidiaries of the Company are subject to various regulatory requirements in the United States, United Kingdom and Hong Kong, which specify, among other requirements, minimum net capital requirements for registered broker-dealers.

PJT Partners LP is a registered broker-dealer through which strategic advisory and restructuring and special situations services are conducted in the United States and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). PJT Partners LP computes net capital based upon the aggregate indebtedness standard, which requires the maintenance of minimum net capital, as defined, which shall be the greater of \$100 thousand or 6 2/3% of aggregate indebtedness, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. PJT Partners LP had net capital as of March 31, 2016 and December 31, 2015 of \$17.8 million and \$10.3 million, respectively, which exceeded the minimum net capital requirement by \$17.5 million and \$9.3 million, respectively.

Park Hill Group LLC is a registered broker-dealer through which private fund advisory and placement services are conducted in the United States and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Park Hill Group LLC elected to adopt the alternative standard, which defines minimum net capital as the greater of \$250 thousand or 2% of aggregate debit items computed in accordance with the reserve requirement. Park Hill Group LLC had net capital as of March 31, 2016 and December 31, 2015 of \$15.4 million and \$19.0 million, respectively, which exceeded the minimum net capital requirement by \$15.2 million and \$18.8 million, respectively.

PJT Partners LP and Park Hill Group LLC do not carry customer accounts and do not otherwise hold funds or securities for, or owe money or securities to, customers and, accordingly, are both exempt from the SEC Customer Protection Rule (Rule 15c3-3).

PJT Partners (UK) Limited is licensed with the United Kingdom’s Financial Conduct Authority and is required to maintain regulatory net capital of €50 thousand. PJT Partners (HK) Limited is licensed with the Hong Kong Securities and Futures Commission and is subject to a minimum liquid capital requirement of HK\$3 million. As of March 31, 2016 and December 31, 2015, both of these entities were in compliance with local capital adequacy requirements.

#### 16. BUSINESS INFORMATION

The Company's activities providing strategic advisory, restructuring and special situations and private fund advisory and placement services constitute a single reportable segment. An operating segment is a component of an entity which conducts business, incurs revenues and expenses for which discrete financial information is available that is reviewed by the chief operating decision maker in assessing performance and making resource allocation decisions. The Company has a single operating segment and therefore a single reportable segment.

The Company is organized as one operating segment in order to maximize the value of our advice to clients by drawing upon the diversified expertise and broad relationships of our senior professionals across the Company. The chief operating decision maker assesses performance and allocates resources based on broad considerations including the market opportunity, available expertise across the Company and the strength and efficacy of professionals' collaboration, and not based upon profit or loss measures for the Company's separate product lines.

Since the financial markets are global in nature, the Company generally manages its business based on the operating results of the Company taken as a whole, not by geographic region. The following table sets forth the

PJT Partners Inc.

Notes to Condensed Consolidated and Combined Financial Statements – Continued (Unaudited)

(All Dollars Are in Thousands, Except Share and Per Share Data, Except Where Noted)

geographical distribution of revenues and assets based on the location of the office that generates the revenues or holds the assets and therefore may not be reflective of the geography in which the Company's clients are located.

	Three Months Ended March 31, 2016		2015
<b>Revenues</b>			
Domestic	\$ 112,111	\$ 74,298	
International	3,193	8,027	
Total	\$ 115,304	\$ 82,325	

	March 31, 2016	December 31, 2015
<b>Assets</b>		
Domestic	\$ 454,620	\$ 444,040
International	37,064	23,212
Total	\$ 491,684	\$ 467,252

The Company is not subject to any material concentrations with respect to its revenues for the three months ended March 31, 2016 and 2015, or credit risk with respect to its accounts receivable as of March 31, 2016 and December 31, 2015.

#### 17. SUBSEQUENT EVENTS

The Board of Directors of PJT Partners Inc. has declared a quarterly dividend of \$0.05 per share of Class A common stock, which will be paid on June 22, 2016 to Class A common stockholders of record on June 8, 2016.





## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with PJT Partners' Condensed Consolidated and Combined Financial Statements and the related notes included in this Quarterly Report on Form 10-Q.

The financial statements, which are discussed below, reflect the historical financial condition, results of operations and cash flows of the strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses of Blackstone for periods presented prior to October 1, 2015, the date that the spin-off and related transactions were completed. The financial information discussed below and included in this Quarterly Report on Form 10-Q may not necessarily reflect what our financial condition, results of operations or cash flows would have been had we been a stand-alone company during the periods presented or what our financial condition, results of operations and cash flows may be in the future.

### Our Business

PJT Partners is a global advisory-focused investment bank. Our team of senior professionals delivers a wide array of strategic advisory, restructuring and special situations and private fund advisory and placement services to corporations, financial sponsors, institutional investors and governments around the world. We offer a balanced portfolio of advisory services designed to help our clients realize major corporate milestones and solve complex issues. We also provide, through Park Hill Group, private fund advisory and placement services for alternative investment managers, including private equity funds, real estate funds and hedge funds.

We have world-class franchises in each of the areas in which we compete. Our strategic advisory line of business, established in 1985, offers a broad range of financial advisory and transaction execution capability, including mergers and acquisitions ("M&A"), joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance advisory, private placements and distressed sales. Our restructuring and special situations line of business, established in 1991, is one of the world's leading advisors in restructurings and recapitalizations around the globe. With vast expertise in highly complex capital structure challenges, our Restructuring and Special Situations Group's services include advising companies, creditors and financial sponsors on recapitalizations, reorganizations, exchange offers, debt repurchases, capital raises and distressed mergers and acquisitions. Park Hill Group, our private fund advisory and placement line of business, is a world-leading fund placement agent and has provided private fund advisory and placement services for a diverse range of investment strategies since its inception in 2005. Moreover, Park Hill Group is the only group among its peers with top-tier dedicated private equity, hedge fund, real estate and secondary advisory groups.

### Spin-off from Blackstone

On October 1, 2015, in connection with the spin-off, several transactions took place which impacted the Company's condensed consolidated and combined financial statements including the following:

- The recording of the assets transferred and liabilities assumed of PJT Capital LP along with goodwill and intangible assets as part of the business combination (refer to Note 4. "Business Combinations" in the "Notes to Condensed Consolidated and Combined Financial Statements" in "Part I. Item 1. Financial Statements" of this filing);
- PJT Partners Inc.'s new capital structure, including the allocation of income (loss) between PJT Partners Inc. and redeemable non-controlling interests and the net settlement of the former Parent's net investment in PJT Partners;
- The recording of \$55.4 million in cash, which amount was determined prior to the spin-off and took into account the accounts receivable our business had as of the date of the spin-off and was designed to satisfy all regulatory and statutory reserve requirements to provide minimum working capital to our business;



- PJT Partners (UK) Limited's purchase of open customer mandates from Blackstone, which were recorded as intangible assets in the Condensed Consolidated and Combined Statements of Financial Condition;
- The contribution of certain intangible assets and the related deferred tax assets that were previously held by Blackstone or its subsidiaries, including the establishment of a deferred tax asset (and a corresponding credit to Additional Paid-In Capital) of \$58.4 million associated with tax basis step-up arising from exchanges by Blackstone partners of their partnership interests in certain Blackstone subsidiaries;
- The reversal of severance charges related to the reorganization, spin-off and acquisition; and
- The settlement of account balances between the Company and Blackstone.

See Note 3. "Reorganization and Spin-off" in the "Notes to Condensed Consolidated and Combined Financial Statements" in "Part I. Item 1. Financial Statements" of this filing for further information.

## Business Environment

Economic and global financial conditions can materially affect our operational and financial performance. See "Risk Factors" in our Annual Report on Form 10-K for a discussion of some of the factors that can affect our performance.

M&A is a cyclical business which is impacted by macroeconomic conditions. According to Thomson Reuters, worldwide M&A activity for the first quarter of 2016 decreased 18% from comparable 2015 levels.<sup>1</sup> The uncertainty and volatility in the global markets in early 2016 has the potential to moderate those volumes. However, given the accelerating pace of transformation and innovation affecting industries and companies around the globe, we expect corporate boards and management teams will continue to use M&A as a tool for growth.

Restructuring activity has recently increased, particularly in commodities driven sectors in the U.S. After an extended period of relatively low default rates, high yield default rates may increase in 2016 over 2015 levels.

Short-term volatility in the market has the potential to pause investment, which could have an impact on our strategic advisory and fund placement businesses. This short-term volatility however, does not impact the long-term allocation decisions of investors or their commitment to alternative asset classes. Overall, alternative assets benefit from a combination of volatile returns in public equities and low yields on traditional fixed income. As a leading alternative asset fundraising platform, Park Hill Group is well-positioned to benefit from this trend.

## Key Financial Measures

### Revenues

Substantially all of our revenues are derived from Advisory Fees and Placement Fees. This revenue is primarily a function of the number of active engagements we have, the size of each of those engagements and the fees we charge for our services.

**Advisory Fees** – Our strategic advisory services include a broad range of financial advisory and transaction execution services relating to acquisitions, mergers, joint ventures, minority investments, asset swaps, divestitures, takeover defenses, corporate finance advisory and distressed sales. Our restructuring and special situations services include providing advice to corporations and creditors in recapitalizations and restructurings around the world, with particular expertise in large, complex and high-profile deals. In conjunction with providing such restructuring advice, we may also assist with raising various forms of financing, including debt and equity. Our secondary advisory services provided by Park Hill Group include providing solutions to investing clients seeking portfolio

Source: Thomson Reuters. Aggregate mergers and acquisitions values extracted from the official Thomson Reuters Mergers & Acquisitions Review for First Quarter 2016, based on figures extracted from Thomson Reuters databases as of March 31, 2016.

liquidity, unfunded commitment relief and investments in secondary markets. Advisory Fees typically consist of advisory retainer and transaction-based fee arrangements. The amount and timing of the fees paid vary by the type of engagement. The majority of our Advisory Fees are dependent on the successful completion of a transaction.

A transaction can fail to be completed for many reasons, including failure of parties to agree upon final terms with the counterparty, to secure necessary board or shareholder approvals, to secure necessary financing or to achieve necessary regulatory approvals. In the case of bankruptcy engagements, fees are subject to approval of the court.

Placement Fees – Our fund placement services are provided within Park Hill Group and primarily serve private equity, real estate and hedge funds. Our team advises on all aspects of the fundraising process including competitive positioning and market assessment, marketing materials and related documentation and partnership terms and conditions most prevalent in the current environment. We also provide private placement fundraising services to our corporate clients and earn placement fees based on successful completion of the transaction.

Fund placement fees earned for services provided to alternative asset managers are typically recognized as earned upon acceptance by a fund of capital or capital commitments, in accordance with terms set forth in individual agreements. For commitment based fees, revenue is recognized as commitments are accepted (referred to as a “closing”). Fees for such closed-end fund arrangements are generally paid in quarterly installments over three or four years and interest is charged to the outstanding balance at an agreed upon rate (typically the London Interbank Offered Rate (“LIBOR”) plus a market-based margin). For funds with multiple closings, each closing is treated as a separate performance obligation. As a result, we recognize revenue at each closing as our performance obligations are fulfilled. For open-end structures, placement fees are typically calculated as a percentage of a placed investor’s month-end net asset value (“NAV”). Typically, we earn fees for such open-end fund structures over a 48 month period. For these arrangements, revenue is recognized monthly as the amounts become fixed and determinable.

We may receive non-refundable up-front fees upon execution of agreements with clients to provide placement services, which are recorded as revenues in the period over which services are provided.

Revenues from Affiliates – For periods presented prior to October 1, 2015, we reported revenues received from services provided to portfolio companies owned or controlled by Blackstone as well as funds managed by Blackstone as Revenues from Affiliates in our Condensed Consolidated and Combined Statements of Operations. There were no revenues earned from affiliates for the three months ended March 31, 2016. Advisory Fees from such assignments were 4.2% of our Advisory Fees for the three months ended March 31, 2015. Placement Fees from such assignments were 4.6% of our Placement Fees for the three months ended March 31, 2015.

Interest Income and Other – Interest Income and Other represents interest typically earned on Cash and Cash Equivalents and outstanding placement fees receivable as well as miscellaneous income and foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars. Interest on placement fees receivable is earned from the time revenue is recognized and is calculated based upon LIBOR plus an additional percentage as mutually agreed upon with the receivable counterparty. Interest receivable is included in Accounts Receivable in the Condensed Consolidated and Combined Statements of Financial Condition.

## Expenses

Compensation and Benefits – Compensation and Benefits expense includes employee and partner salaries, bonuses, benefits and employer taxes. Changes in this expense are driven by fluctuations in the number of employees, increases in wages as a result of inflation or labor market conditions, changes in rates for employer taxes and other cost increases affecting benefit plans. In addition, this expense is affected by the composition of our work force. The expense associated with our bonus and equity plans can also have a significant impact on this expense category and

may vary from year to year.

We maintain compensation programs, including base salary, cash bonus awards, cash with clawback mechanisms and equity bonus awards and benefits programs and manage compensation to estimates of competitive levels based on market conditions and performance. Our level of compensation reflects our plan to maintain

competitive compensation levels to retain key personnel and it reflects the impact of newly-hired senior professionals, including related grants of equity awards which are generally valued at their grant date.

Increasing the number of high-caliber, experienced senior level employees is critical to our growth efforts. In our advisory businesses, these hires generally do not begin to generate significant revenue in the year they are hired.

Our remaining expenses are the other costs typical to operating our business, which generally consist of:

- Occupancy and Related – consisting primarily of costs related to leased property including rent, maintenance, real estate taxes, utilities and other related costs. Our company headquarters are located in New York, New York, and we maintain additional offices in the U.S. and throughout the world;
- Travel and Related – consisting of costs for our partners and employees to render services where our clients are located;
- Professional Fees – consisting principally of consulting, audit and tax, recruiting and legal services;
- Communications and Information Services – consisting primarily of costs for our technology infrastructure, telecommunications costs and fees paid for access to external market data;
- Depreciation and Amortization – depreciation and amortization on our furniture, fixtures and equipment and intangible assets; and
- Other Expenses – consisting principally of research, bad debt, regulatory fees and insurance.

Income Taxes – The Company is a corporation subject to U.S. federal, state and local income taxes in jurisdictions where it does business. The Company’s businesses generally operate as partnerships for U.S. federal and state purposes and as corporate entities in non-U.S. jurisdictions. In the U.S. federal and state jurisdictions, taxes related to income earned by these entities generally represent obligations of the individual members and partners. Historically, these taxes have not been reflected in the Company’s condensed consolidated and combined financial statements. However, the operating entities are generally subject to New York City Unincorporated Business Tax (“UBT”) and to entity-level income taxes imposed by non-U.S. jurisdictions, as applicable.

Prior to October 1, 2015, the Company’s operations were included in the income tax returns of Blackstone’s subsidiaries, except for certain entities that were classified as partnerships for U.S. tax purposes. These partnerships were subject to New York City UBT and certain other foreign, state and local taxes, as applicable.

In connection with the spin-off from Blackstone on October 1, 2015, the Company became subject to U.S. corporate federal, state and local income tax on its allocable share of results of operations from the operating partnership (PJT Partners Holdings LP).

#### Redeemable Non-Controlling Interest

Following the spin-off on October 1, 2015, PJT Partners Inc. is a holding company and its only material asset is its controlling equity interest in PJT Partners Holdings LP, and certain cash and cash equivalents it may hold from time to time. As the sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs and consolidates the financial results of PJT Partners Holdings LP and its subsidiaries. The holders of the Partnership Units have redemption rights not solely within PJT Partners’ control and thus their ownership interest is considered a redeemable non-controlling interest. Redeemable Non-Controlling Interests have been presented separately from Equity in the Condensed Consolidated and Combined Statements of Financial Condition.

#### Non-GAAP Financial Measures

The following measures represent key performance measures that management uses in making resource allocation and/or compensation decisions. These measures should not be considered substitutes for, or superior to, financial measures prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).



### Adjusted Net Income (Loss)

We believe Adjusted Net Income (Loss) is a key performance measure of value creation, a benchmark of performance and a key indicator in making resource allocation and compensation decisions. We believe that the Adjusted Net Income (Loss) measure, and adjustments thereto, when presented in conjunction with comparable GAAP measures, is useful to investors to understand the Company's operating results by removing the significant accounting impact of transaction-based equity-based compensation charges and amortization of intangible assets associated with Blackstone's initial public offering ("IPO") and the acquisition of PJT Capital LP. Additionally, for periods after October 1, 2015, the Adjusted Net Income (Loss) measure excludes equity-based compensation expense associated with Partnership Units with both time-based vesting and market conditions and retention awards granted in connection with the spin-off. Adjusted Net Income (Loss) is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Net Income (Loss). For the calculation of this non-GAAP financial measure and a reconciliation of Net Income (Loss) to Adjusted Net Income (Loss), please see "—Condensed Consolidated and Combined Results of Operations—Adjusted Net Income (Loss)" below.

In the interest of limiting the adjustments to GAAP results reflected in Adjusted Net Income (Loss) to only the most significant items, the Company amended its definition of Adjusted Net Income (Loss) in the third quarter of 2015 to no longer exclude certain transaction-related non-compensation expenses associated with the spin-off. Adjusted Net Income (Loss) amounts presented for prior periods have been conformed to this presentation.

### Adjusted Compensation and Benefits Expense

We believe Adjusted Compensation and Benefits Expense is a key performance measure in making resource allocation and compensation decisions. We believe that Adjusted Compensation and Benefits Expense, when presented in conjunction with comparable GAAP measures, is useful to investors to understand the Company's overall compensation expense by removing the significant accounting impact of transaction-based equity-based compensation charges associated with Blackstone's IPO (for periods through the third quarter of 2015) and the spin-off. Adjusted Compensation and Benefits Expense is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Compensation and Benefits Expense. For the calculation of this non-GAAP financial measure and a reconciliation of Compensation and Benefits Expense to Adjusted Compensation and Benefits Expense, please see "—Condensed Consolidated and Combined Results of Operations—Adjusted Compensation and Benefits Expense" below.

### Adjusted Non-Compensation Expense

We believe Adjusted Non-Compensation Expense is a key performance measure in making resource allocation decisions. We believe that Adjusted Non-Compensation Expense, when presented in conjunction with comparable GAAP measures, is useful to investors to understand the Company's non-compensation expenses by removing the significant accounting impact of amortization expense associated with intangible assets related to Blackstone's IPO and the acquisition of PJT Capital LP. Adjusted Non-Compensation Expense is derived from and reconciled to, but not equivalent to, its most directly comparable GAAP measure of Non-Compensation Expense, which is comprised of all expense financial statement captions except Compensation and Benefits Expense. For the calculation of this non-GAAP financial measure and a reconciliation of Non-Compensation Expense to Adjusted Non-Compensation Expense, please see "—Condensed Consolidated and Combined Results of Operations—Adjusted Non-Compensation Expense" below.



## Condensed Consolidated and Combined Results of Operations

The following table sets forth our condensed consolidated and combined results of operations for the three months ended March 31, 2016 and 2015:

	Three Months Ended		2016 vs. 2015	
	March 31, 2016	2015	\$	%
(Dollars in Thousands)				
<b>Revenues</b>				
Advisory Fees	\$81,554	\$58,674	\$22,880	39 %
Placement Fees	31,951	23,134	8,817	38 %
Interest Income and Other	1,799	517	1,282	248 %
<b>Total Revenues</b>	<b>115,304</b>	<b>82,325</b>	<b>32,979</b>	<b>40 %</b>
<b>Expenses</b>				
Compensation and Benefits	88,171	79,635	8,536	11 %
Occupancy and Related	6,418	5,282	1,136	22 %
Travel and Related	2,745	3,304	(559 )	-17 %
Professional Fees	3,496	2,529	967	38 %
<b>Communications and Information</b>				
Services	2,053	1,406	647	46 %
Depreciation and Amortization	3,901	1,527	2,374	155 %
Other Expenses	5,787	3,331	2,456	74 %
<b>Total Expenses</b>	<b>112,571</b>	<b>97,014</b>	<b>15,557</b>	<b>16 %</b>
<b>Income (Loss) Before</b>				
Provision for Taxes	2,733	(14,689)	17,422	N/M
Provision for Taxes	1,302	1,418	(116 )	-8 %
<b>Net Income (Loss)</b>	<b>1,431</b>	<b>\$(16,107)</b>	<b>\$17,538</b>	<b>N/M</b>
<b>Net Income Attributable to Redeemable</b>				
Non-Controlling Interests	1,176			
<b>Net Income Attributable to</b>				
PJT Partners Inc.	\$255			

N/M Not meaningful.

The Company's results of operations for periods presented prior to October 1, 2015 reflect the historical financial results of operations of the strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses of Blackstone. The results of operations may not necessarily reflect our results of operations had we been a stand-alone company during the periods presented or what our financial results may be in the future. Additionally, the results of operations of PJT Capital LP are not included in the results of operations for periods presented prior to October 1, 2015 as the acquisition did not occur until October 1, 2015.

We expect to experience changes in our ongoing cost structure for certain items that we will incur as a public company. For example, Blackstone historically provided certain corporate functions on our behalf, including, but not limited to, insurance, access to liquidity, including working capital, and directors' fees. Our historical combined financial statements included direct expenses and allocations of expenses from Blackstone. These costs may not be representative of the future costs we may incur as a public company.

We have incurred certain costs during the transition to being a stand-alone public company. These costs have included, for example, additional accounting, tax and other professional costs pertaining to the spin-off and establishment of PJT Partners as a stand-alone public company, recruiting and relocation costs associated with hiring personnel, costs related to establishing our brand in the marketplace and costs to build out our corporate infrastructure. The results of operations for the three months ended March 31, 2016 reflect these additional costs.

## Revenues

Total Revenues were \$115.3 million for the three months ended March 31, 2016, an increase of \$33.0 million compared with Total Revenues for the three months ended March 31, 2015 of \$82.3 million. The increase in Total Revenues was primarily attributable to increases of \$22.9 million in Advisory Fees and \$8.8 million in Placement Fees. The increase in Advisory Fees was primarily driven by an increase in restructuring activity, resulting in an increase in the number and size of transactions that closed during the quarter. The increase in Placement Fees was primarily due to an increase in the number and size of transactions that closed during the quarter.

The following table provides revenue statistics for the three months ended March 31, 2016 and 2015:

	Three Months Ended March 31, 2016 2015	
<b>Advisory Fees</b>		
Number of Clients	75	64
Number of Fee-Paying Clients with \$1 Million or More	13	14
Number of Fee-Paying Clients Representing Greater than 10% of		
Advisory Fees	2	1
Percentage of Such Clients' Fees of Total Advisory Fees	23.4%	13.3%
<b>Placement Fees</b>		
Number of Clients	44	36
Number of Fee-Paying Clients with \$1 Million or More	7	8
Number of Fee-Paying Clients Representing Greater than 10% of		
Placement Fees	4	2
Percentage of Such Clients' Fees of Total Placement Fees	52.9%	31.6%

## Expenses

Expenses were \$112.6 million for the three months ended March 31, 2016, an increase of \$15.6 million compared with \$97.0 million for the three months ended March 31, 2015. The increase in expenses was primarily attributable to increases in Compensation and Benefits, Other Expenses, Depreciation and Amortization and Occupancy and Related Expenses of \$8.5 million, \$2.5 million, \$2.4 million and \$1.1 million, respectively. The increase in Compensation and Benefits was primarily related to increases in both headcount and revenues compared with the three months ended March 31, 2015. The increase in Other Expenses primarily related to the accrual associated with the Caspersen matter. (Refer to Note 13. "Commitments and Contingencies—Litigation" in the "Notes to Condensed Consolidated and Combined Financial Statements" in "Part I. Item 1. Financial Statements" for further information.) The increase in Depreciation and Amortization was primarily related to amortization expense related to intangible assets identified in connection with the acquisition of PJT Capital LP on October 1, 2015. The increase in Occupancy and Related Expense was primarily related to additional rent expense.

## Provision for Taxes

The Company's Provision for Taxes for the three months ended March 31, 2016 and 2015 was \$1.3 million and \$1.4 million, respectively. The Provision for Taxes represents an annualized effective tax rate of 47.6% on pretax income of \$2.7 million for the three months ended March 31, 2016 and an annualized effective tax rate of 9.7% on a pretax loss of \$14.7 million for the three months ended March 31, 2015. The effective tax rate increased in the three months ended March 31, 2016 compared with the three months ended March 31, 2015 primarily due to the Company's new entity structure (effective October 1, 2015) as a publicly traded corporation subject to U.S. federal, state and local corporate income taxes and due to compensation charges that are not deductible for tax purposes. Prior to October 1, 2015, the Company was not generally subject to corporate-level income taxes.

## Redeemable Non-Controlling Interests

Net Income (Loss) Attributable to Redeemable Non-Controlling Interests is derived from the Income (Loss) Before Provision for Taxes and the percentage allocation of the income (loss) between the holders of Partnership Units and holders of Class A common stock of PJT Partners Inc. after considering any contractual arrangements that govern the allocation of income (loss). Prior to the spin-off on October 1, 2015, redeemable non-controlling interests had not been presented in the financial statements.

## Adjusted Net Income (Loss)

The following table is a reconciliation of Net Income (Loss) to Adjusted Net Income (Loss) for the three months ended March 31, 2016 and 2015:

	Three Months Ended		2016 vs. 2015	
	March 31, 2016	2015	\$	%
	(Dollars in Thousands)			
Net Income (Loss)	\$ 1,431	\$(16,107)	\$ 17,538	N/M
Provision for Taxes	1,302	1,418	(116 )	-8 %
Income (Loss) Before				
Adjustments				
Provision for Taxes	2,733	(14,689)	17,422	N/M
Compensation and Benefits (a)	15,368	11,904	3,464	29 %
Depreciation and Amortization (b)	2,801	663	2,138	322 %
Adjusted Pretax Income (Loss)	20,902	(2,122 )	23,024	N/M
Taxes (c)	1,952	674	1,278	190 %
Adjusted Net Income (Loss)	\$ 18,950	\$(2,796 )	\$ 21,746	N/M

N/M Not meaningful.

- (a) This adjustment adds back to Income (Loss) Before Provision for Taxes certain transactional amounts related to Blackstone's IPO in 2007 and the spin-off from Blackstone on October 1, 2015. The adjustment to Compensation and Benefits relates principally to equity-based compensation charges. An adjustment has been made for equity-based compensation charges associated with the vesting during the periods presented of awards granted in connection with the Blackstone IPO in 2007 and severance incurred in connection with the spin-off (for periods through the third quarter of 2015). Additionally, for periods after October 1, 2015, the transactional equity-based compensation adjustment includes equity-based compensation expense associated with Partnership Units with both time-based vesting and market conditions and retention awards granted in connection with the spin-off.
- (b) This adjustment adds back to Income (Loss) Before Provision for Taxes amounts for the amortization of intangible assets which are associated with Blackstone's IPO and amortization related to intangible assets identified in connection with the acquisition of PJT Capital LP on October 1, 2015.
- (c) Taxes represent the total GAAP tax provision adjusted to include only current income taxes.





Adjusted Compensation and Benefits Expense

The following table is a reconciliation of Compensation and Benefits Expense to Adjusted Compensation and Benefits Expense for the three months ended March 31, 2016 and 2015:

	Three Months		2016 vs. 2015	
	Ended March 31, 2016	Ended March 31, 2015	\$	%
(Dollars in Thousands)				
Compensation and Benefits Expense, GAAP	\$88,171	\$79,635	\$8,536	11 %
Adjustment				
Transaction-Based Equity Compensation (a)	(15,368)	(11,904)	(3,464)	-29 %
Adjusted Compensation and Benefits Expense	\$72,803	\$67,731	\$5,072	7 %

(a) This adjustment adds back to Compensation and Benefits Expense certain transactional amounts related to Blackstone's IPO in 2007 and the spin-off from Blackstone on October 1, 2015. An adjustment has been made for equity-based compensation charges associated with the vesting during the periods presented of awards granted in connection with the Blackstone IPO in 2007 and severance incurred in connection with the spin-off (for periods through the third quarter of 2015). Additionally, for periods after October 1, 2015, the transactional equity-based compensation adjustment includes equity-based compensation expense associated with Partnership Units with both time-based vesting and market conditions and retention awards granted in connection with the spin-off.

Adjusted Non-Compensation Expense

The following table is a reconciliation of Non-Compensation Expense to Adjusted Non-Compensation Expense for the three months ended March 31, 2016 and 2015:

	Three Months		2016 vs. 2015	
	Ended March 31, 2016	Ended March 31, 2015	\$	%
(Dollars in Thousands)				
Non-Compensation Expenses:				
Occupancy and Related	\$6,418	\$5,282	\$1,136	22 %
Travel and Related	2,745	3,304	(559 )	-17 %
Professional Fees	3,496	2,529	967	38 %
Communications and Information Services	2,053	1,406	647	46 %
Depreciation and Amortization	3,901	1,527	2,374	155 %

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Other Expenses	5,787	3,331	2,456	74	%
Non-Compensation Expense, GAAP	24,400	17,379	7,021	40	%
Adjustment					
Transaction-Based Amortization (a)	(2,801 )	(663 )	(2,138)	-322	%
Adjusted Non-Compensation Expense	\$21,599	\$16,716	\$4,883	29	%

(a) This adjustment adds back to Non-Compensation Expense amounts for the amortization of intangible assets which are associated with Blackstone's IPO and amortization related to intangible assets identified in connection with the acquisition of PJT Capital LP on October 1, 2015.

## Liquidity and Capital Resources

### General

We regularly monitor our liquidity position, including cash and cash equivalents, working capital assets and liabilities, any commitments and other liquidity requirements.

Our assets have historically comprised cash and receivables earned from strategic advisory and placement fees. Our liabilities primarily include accrued compensation and benefits, accounts payable and accrued expenses and taxes payable. Prior to the spin-off on October 1, 2015, intercompany amounts due to Blackstone were typically settled monthly, which included settlements of accruals for forecast year-end incentive compensation. Blackstone retained and paid the accrual for year-end incentive compensation in respect of amounts recorded at September 30, 2015. Incentive compensation recorded during the fourth quarter of 2015 and going forward are recorded and paid by us. We expect to pay a significant amount of incentive compensation late each year or during the first two months of each calendar year with respect to the prior year's results. A significant portion of annual compensation is awarded with equity-based compensation and thus requires less cash. We expect levels of cash to decline at year-end or during the first quarter of each year after incentive compensation is paid to our employees. We then expect cash to gradually increase over the remainder of the year.

Additionally, in connection with the spin-off, we entered into a credit facility with First Republic Bank to provide a \$60 million revolving credit facility, with the ability to increase the credit facility up to \$80 million during the period beginning December 1 each year through March 1 the following year, so long as no event of default has occurred and is continuing or would be caused by exercising such option. The revolving credit facility is further described in Note 13. "Commitments and Contingencies—Commitments, Line of Credit" in the "Notes to Condensed Consolidated and Combined Financial Statements" in "Part I. Item 1. Financial Statements" of this filing. As of March 31, 2016, and December 31, 2015, there were no borrowings under the revolving credit facility and we were in compliance with all debt covenants.

We evaluate our cash needs on a regular basis in light of current market conditions. As of March 31, 2016 and December 31, 2015, we had cash and cash equivalents of \$86.0 million and \$82.3 million, respectively.

Our liquidity is highly dependent upon cash receipts from clients, which are generally dependent upon the successful completion of transactions as well as the timing of receivable collections. As of March 31, 2016 and December 31, 2015, total accounts receivable were \$182.1 million and \$169.6 million, respectively, net of allowance for doubtful accounts of \$0.8 million and \$0.9 million, respectively. As of March 31, 2016 and December 31, 2015, \$62.6 million of receivables attributable to our private fund advisory and placement business were expected to be collected at or more than one year from each date.

#### Sources and Uses of Liquidity

Our primary cash needs are for working capital, paying operating expenses, including cash compensation to our employees, funding the cash redemption of Partnership Units, paying income taxes, making distributions to our shareholders in accordance with our dividend policy, capital expenditures, commitments and strategic investments. We expect to fund these liquidity requirements through cash flows from operations and borrowings under our revolving credit facility. Our ability to fund these needs through cash flows from operations will depend, in part, on our ability to generate or raise cash in the future, which depends on our future financial results, which are subject to general economic, financial, competitive, legislative and regulatory factors. Furthermore, our ability to forecast future cash flows is more limited because we do not have a long-established operating history as a stand-alone company. If our cash flows from operations are less than we expect, we may need to incur additional debt, issue additional equity or borrow from our revolving credit facility. Although we believe that the arrangements we have in place will permit us to finance our operations on acceptable terms and conditions, our access to, and the availability of, financing on acceptable terms and conditions in the future will be impacted by many factors, including: (a) our credit ratings or absence of a credit rating, (b) the liquidity of the overall capital markets, and (c) the current state of the economy. We cannot provide any assurance that such financing will be available to us on acceptable terms or that such financing will be available at all. We believe that our future cash from operations and availability under our revolving credit facility, together with our access to funds on hand, will provide adequate resources to fund our short-term and

long-term liquidity and capital needs.

Subject to the terms and conditions of the exchange agreement between us and certain of the holders of Partnership Units, Partnership Units are exchangeable at the option of the holder for cash, or, at our election, for shares of our Class A common stock on a one-for-one basis. Depending on our liquidity and capital resources, market conditions, the timing and concentration of exchange requests and other considerations, we may choose to fund cash-settled exchanges of Partnership Units with available cash, borrowings or new issuances of Class A

common stock or to settle exchanges by issuing Class A common stock to the exchanging Partnership Unitholder. Issuing significant numbers of shares of our Class A common stock upon exchange of Partnership Units could adversely affect the tax consequences to Blackstone of the distribution. Accordingly, while we will retain the right under the Exchange Agreement to elect to settle exchanges in cash or Class A common stock in our sole discretion, we intend to limit such issuances of Class A common stock in settlement of exchanges of Partnership Units to the extent necessary to preserve the intended tax-free nature of the spin-off and to comply with our obligations under the Tax Matters Agreement.

### Regulatory Capital

We actively monitor our regulatory capital base. We are subject to regulatory requirements in the U.S. and certain international jurisdictions to ensure general financial soundness and liquidity. This requires, among other things, that we comply with certain minimum capital requirements, recordkeeping, reporting procedures, experience and training requirements for employees and certain other requirements and procedures. These regulatory requirements may restrict the flow of funds to and from affiliates. See Note 15. “Regulated Entities” in the “Notes to Condensed Consolidated and Combined Financial Statements” in “Part I. Item 1. Financial Statements” of this filing for further information. The licenses under which we operate are meant to be appropriate to conduct our strategic advisory, restructuring and special situations and private fund advisory and placement services. We believe that we provide each of these entities with sufficient capital and liquidity, consistent with their business and regulatory requirements.

PJT Partners LP is a registered broker-dealer through which strategic advisory and restructuring and special situations services are conducted in the United States and is subject to the net capital requirements of Rule 15c3-1 under the Securities Exchange Act of 1934 (the “Exchange Act”). PJT Partners LP computes net capital based upon the aggregate indebtedness standard, which requires the maintenance of minimum net capital, as defined, which shall be the greater of \$100,000 or 6 2/3% of aggregate indebtedness, as defined, and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. PJT Partners LP had net capital as of March 31, 2016 and December 31, 2015 of \$17.8 million and \$10.3 million, respectively, which exceeded the minimum net capital requirement by \$17.5 million and \$9.3 million, respectively.

Park Hill Group LLC is a registered broker-dealer through which private fund advisory and placement services are conducted in the United States and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Park Hill Group LLC elected to adopt the alternative standard, which defines minimum net capital as the greater of \$250,000 or 2% of aggregate debit items computed in accordance with the reserve requirement. Park Hill Group LLC had net capital as of March 31, 2016 and December 31, 2015 of \$15.4 million and \$19.0 million, respectively, which exceeded the minimum net capital requirement by \$15.2 million and \$18.8 million, respectively.

PJT Partners LP and Park Hill Group LLC do not carry customer accounts and do not otherwise hold funds or securities for, or owe money or securities to, customers and, accordingly, are both exempt from the SEC Customer Protection Rule (Rule 15c3-3).

We also conduct certain activities through PJT Partners (UK) Limited, a subsidiary licensed with the United Kingdom’s Financial Conduct Authority, which is required to maintain regulatory net capital of €50,000, and certain activities through PJT Partners (HK) Limited, a subsidiary licensed with the Hong Kong Securities and Futures Commission, which is subject to a minimum liquid capital requirement of HK\$3 million. As of March 31, 2016 and December 31, 2015, both of these entities were in compliance with local capital adequacy requirements.

Our activities may also be subject to regulation, including regulatory capital requirements, by various other foreign jurisdictions and self-regulatory organizations.

We do not anticipate that compliance with any and all such requirements will materially adversely impact the availability of funds for domestic and parent-level purposes.

## Contractual Obligations, Commitments and Contingencies

For a complete discussion of our contractual obligations, refer to the Company's Annual Report on Form 10-K for the year ended December 31, 2015. There have not been any material changes to the Company's contractual obligations since December 31, 2015.

As also discussed in Note 13. "Commitments and Contingencies—Litigation" in the "Notes to Condensed Consolidated and Combined Financial Statements" in "Part I. Item 1. Financial Statements" of this filing, the Company recorded an expense accrual of \$8.9 million related to the Caspersen matter, which represents the amount that is considered to be probable and reasonably estimable. We have also assessed that it is probable that the Company will receive \$5.6 million in related insurance reimbursement, which has also been recorded in the financial statements.

With respect to potential additional claims related to funds fraudulently obtained by Mr. Caspersen, we believe that the total potential amount of any such claims to be less than \$30 million and any such claims would be without merit and we would vigorously defend any such actions.

For other matters, including the litigation discussed under the caption "Legal Proceedings" elsewhere in this report, we are not currently able to estimate the possible loss or range of loss. We are often unable to estimate the possible loss or range of loss until developments in such matters have provided sufficient information to support such an assessment, including quantification of a damage demand from plaintiffs, discovery from other parties and investigation of factual allegations, rulings by courts on motions or appeals, analysis by experts or the status of any settlement negotiations.

However, the disposition of these contingencies could be material to our financial results in the period in which it occurs.

See Notes 8, 10, 13 and 14 in the "Notes to Condensed Consolidated and Combined Financial Statements" in "Part I. Item 1. Financial Statements" of this filing for further information in connection with income taxes, equity compensation plans, commitments and employee benefit plans, respectively.

## Tax Receivable Agreement

Holders of Partnership Units (other than PJT Partners Inc.) may, subject to the terms and conditions set forth in the partnership agreement of PJT Partners Holdings LP, on a quarterly basis, from and after the first anniversary of the date of the consummation of the spin-off (subject to the terms of the exchange agreement) exchange their Partnership Units for cash or, at our election, for shares of Class A common stock of PJT Partners Inc. on a one-for-one basis. PJT Partners Holdings LP intends to make an election under Section 754 of the Code effective for each taxable year in which an exchange of Partnership Units for cash or for shares of Class A common stock occurs, which is expected to result in increases to the tax basis of the assets of PJT Partners Holdings LP at the time of an exchange of Partnership Units. Stock-settled exchanges and certain of these cash-settled exchanges are expected to result in increases in the tax basis of the tangible and intangible assets of PJT Partners Holdings LP. These increases in tax basis may reduce the amount of tax that PJT Partners Inc. would otherwise be required to pay in the future. These increases in tax basis may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets. The IRS may challenge all or part of the tax basis increase and increased deductions, and a court could sustain such a challenge.

We have entered into a tax receivable agreement that provides for the payment by PJT Partners Inc. to exchanging holders of Partnership Units of 85% of the benefits, if any, that PJT Partners Inc. is deemed to realize as a result of the increases in tax basis related to such future exchanges of Partnership Units and of certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable

agreement. This payment obligation is an obligation of PJT Partners Inc. and not of PJT Partners Holdings LP. PJT Partners Inc. expects to benefit from the remaining 15% of cash tax savings, if any, in income tax it realizes. For purposes of the tax receivable agreement, the cash tax savings in income tax will be computed by comparing the actual income tax liability of PJT Partners Inc. (calculated with certain assumptions) to the amount of such taxes that PJT Partners Inc. would have been required to pay had there been no increase to the tax basis of the



assets of PJT Partners Holdings LP as a result of the exchanges and had PJT Partners Inc. not entered into the tax receivable agreement. The term of the tax receivable agreement will continue until all such tax benefits have been utilized or expired, unless PJT Partners Inc. exercises its right to terminate the tax receivable agreement for an amount based on the agreed payments remaining to be made under the agreement or PJT Partners Inc. breaches any of its material obligations under the tax receivable agreement in which case all obligations generally will be accelerated and due as if PJT Partners Inc. had exercised its right to terminate the tax receivable agreement. Estimating the amount of payments that may be made under the tax receivable agreement is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. While the actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable and the amount and timing of our income, we expect that as a result of the size of the transfers and increases in the tax basis of the tangible and intangible assets of PJT Partners Holdings LP, the payments that PJT Partners Inc. may make under the tax receivable agreement will be substantial. The payments under the tax receivable agreement are not conditioned upon continued ownership of us by the holders of Partnership Units.

We will account for the effects of these increases in tax basis and associated payments under the tax receivable agreement arising from future exchanges as follows:

- we will record an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal, state and local tax rates at the date of the exchange;
- to the extent we estimate that we will not realize the full benefit represented by the deferred tax asset, based on an analysis that will consider, among other things, our expectation of future earnings, we will reduce the deferred tax asset with a valuation allowance; and
- we will record 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the liability due under the tax receivable agreement and the remaining 15% of the estimated realizable tax benefit as an increase to additional paid-in capital.

All of the effects of changes in any of our estimates after the date of the redemption or exchange will be included in net income. Similarly, the effect of subsequent changes in the enacted tax rates will be included in net income.

The tax receivable agreement described above pertains to exchanges by holders of Partnership Units in PJT Partners Holdings LP and such exchanges may not occur prior to October 1, 2016.

#### Indemnifications

We enter into contracts, including contracts with Blackstone relating to the spin-off, that contain a variety of indemnifications. Our maximum exposure under these arrangements is not known. However, we have not had prior claims or losses pursuant to these contracts and expect the risk of loss to be remote.

#### Critical Accounting Policies

We prepare our condensed consolidated and combined financial statements in accordance with GAAP. In applying many of these accounting principles, we need to make assumptions, estimates and/or judgments that affect the reported amounts of assets, liabilities, revenues and expenses in our condensed consolidated and combined financial statements. We base our estimates and judgments on historical experience and other assumptions that we believe are reasonable under the circumstances. These assumptions, estimates and/or judgments, however, are often subjective.

Actual results may be affected negatively based on changing circumstances. If actual amounts are ultimately different from our estimates, the revisions are included in our results of operations for the period in which the actual amounts become known. We believe the following critical accounting policies could potentially produce materially different results if we were to change underlying assumptions, estimates and/or judgments. (See Note 2. "Summary of Significant Accounting Policies" in the "Notes to Condensed Consolidated and Combined Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.)

## Revenue Recognition

Revenues consist of Advisory Fees, Placement Fees and Interest Income and Other. Fees are recognized when (a) there is evidence of an arrangement with a client, (b) agreed upon services have been provided, (c) fees are fixed or determinable, and (d) collection is reasonably assured.

**Advisory Fees** – Advisory Fees consist of retainer and transaction-based fee arrangements related to strategic advisory services, restructuring and special situations services and secondary advisory services provided by Park Hill Group. Advisory retainer and transaction-based fees are recognized when services for the transactions are complete, in accordance with terms set forth in individual agreements. The majority of the Advisory Fees are dependent on the successful completion of a transaction.

**Placement Fees** – Placement Fees consist of fund placement services for alternative investment funds and private placements for corporate clients. Placement fees earned for services to corporate clients are recognized as earned upon successful completion of the transaction. Fund placement fees earned for services to alternative asset managers are typically recognized as earned upon acceptance by a fund of capital or capital commitments (referred to as a “closing”), in accordance with terms set forth in individual agreements. Fees for such closed-end fund arrangements are generally paid in quarterly installments over three or four years and interest is charged to the outstanding balance at an agreed upon rate (typically LIBOR plus a market-based margin). For funds with multiple closings, each closing is treated as a separate performance obligation. As a result, revenue is recognized at each closing as the performance obligations are fulfilled. For open-end fund structures, placement fees are typically calculated as a percentage of a placed investor’s month-end NAV. Typically, fees for such open-end fund structures are earned over a 48 month period. For these arrangements, revenue is recognized monthly as the amounts become fixed and determinable.

The Company may receive non-refundable up-front fees upon execution of agreements with clients to provide placement services, which are recorded as revenues in the period over which services are provided.

Accrued but unpaid Advisory and Placement Fees are included in Accounts Receivable in the Condensed Consolidated and Combined Statements of Financial Condition.

**Interest Income and Other** – Interest Income and Other represents interest typically earned on Cash and Cash Equivalents and outstanding placement fees receivable as well as miscellaneous income and foreign exchange gains and losses arising on transactions denominated in currencies other than U.S. dollars. Interest on placement fees receivable is earned from the time revenue is recognized and is calculated based upon LIBOR plus an additional percentage as mutually agreed upon with the receivable counterparty. Interest receivable is included in Accounts Receivable in the Condensed Consolidated and Combined Statements of Financial Condition.

**Deferred Revenue** – Deferred Revenue represents the receipt of Advisory and Placement Fees prior to such amounts being earned and is recognized using the straight-line method over the period that it is earned.

## Expenses

Our principal expense is related to compensation and benefits. Our accounting policies related thereto are as follows:

**Compensation and Benefits** – Compensation and Benefits consists of (a) employee compensation, comprising salary and bonus (including certain awards with clawback mechanisms), and benefits paid and payable to employees and partners, and (b) equity-based compensation associated with the grants of equity-based awards to employees and partners. Compensation cost relating to the issuance of equity-based awards with a requisite service period to partners and employees is measured at fair value at the grant date, taking into consideration expected forfeitures, and expensed

over the vesting period on a straight-line basis. Equity-based awards that do not require future service are expensed immediately. Cash settled equity-based awards are classified as liabilities and are remeasured at the end of each reporting period.

Prior to October 1, 2015, certain of the Company's employees participated in Blackstone's equity-based compensation plans. Equity-based compensation expense related to those plans was based upon specific identification of cost related to the Company's employees. The Company also received allocated equity-based compensation expense associated with Blackstone's employees of central support functions.

In certain instances, the Company may grant equity-based awards containing both a service and a market condition. The effect of the market condition is reflected in the grant date fair value of the award. Compensation cost is recognized for an award with a market condition over the requisite service period, provided that the requisite service period is completed, irrespective of whether the market condition is satisfied. If a recipient terminates employment before completion of the derived service period, any compensation cost previously recognized is reversed unless the market condition has been satisfied prior to termination. If the market condition has been satisfied prior to termination, the remaining unrecognized compensation cost is recognized immediately.

### Goodwill and Intangible Assets

Goodwill recorded arose from the contribution and reorganization of Blackstone's predecessor entities in 2007 immediately prior to Blackstone's IPO as well as from the acquisition of PJT Capital LP that occurred on October 1, 2015. Goodwill is reviewed for impairment at least annually utilizing a qualitative or quantitative approach and more frequently if circumstances indicate impairment may have occurred. Goodwill is tested for impairment at the reporting unit level. A reporting unit is a component of an operating segment for which discrete financial information is available which is regularly reviewed by segment management. The impairment testing for goodwill under the qualitative approach is based first on a qualitative assessment to determine if it is more likely than not that the fair value of the Company's reporting unit is less than its respective carrying value. If it is determined that it is more likely than not that the reporting unit's fair value is less than its carrying value or when the quantitative approach is used, a two-step quantitative assessment is performed to (a) calculate the fair value of the reporting unit and compare it to its carrying value, and (b) if the carrying value exceeds its fair value, to measure an impairment loss.

The Company's intangible assets are derived from (a) customer relationships that were established as part of Blackstone's IPO, (b) the value of the trade name as part of the acquisition of PJT Capital LP, (c) the open customer backlog acquired as part of the PJT Capital LP acquisition, and (d) the purchase of certain customer mandates from Blackstone. Identifiable finite-lived intangible assets are amortized on a straight-line basis over their estimated useful lives of one to fifteen years, reflecting the average time over which such intangible assets are expected to contribute to cash flows. Amortization expense is included within Depreciation and Amortization in the Condensed Consolidated and Combined Statements of Operations. The Company does not hold any indefinite-lived intangible assets. Intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

### Off-Balance Sheet Arrangements

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources or market or credit risk support that expose us to any liability that is not reflected in our condensed consolidated and combined financial statements.

### Recent Accounting Developments

Information regarding recent accounting developments and their impact on the Company can be found in Note 2. "Summary of Significant Accounting Policies" in the "Notes to Condensed Consolidated and Combined Financial Statements" in "Part I. Item 1. Financial Statements" of this filing.

Emerging Growth Company Implications

As a company with less than \$1.0 billion in revenue during our most recently completed fiscal year, we qualify as an “emerging growth company” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). As an emerging growth company, we may take

advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies that are not emerging growth companies. These provisions include: (a) exemptions from the requirements to hold non-binding shareholder advisory votes on executive compensation or golden parachute arrangements, (b) an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting, and (c) reduced disclosure about our executive compensation arrangements.

We have elected to comply with the scaled disclosure requirements available to us as an emerging growth company. We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company upon the earliest of: (a) the end of the fiscal year following the fifth anniversary of the spin-off; (b) the first fiscal year after our annual gross revenues are \$1.0 billion or more; (c) the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; or (d) the date we become a “large accelerated filer” under the Exchange Act.

The JOBS Act permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have irrevocably elected to “opt out” of the exemption for the delayed adoption of certain accounting standards and, as a result, will comply with new or revised accounting standards required when they are adopted.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

#### Market Risk and Credit Risk

Our business is not capital-intensive and we do not invest in derivative instruments or, generally, borrow through issuing debt. As a result, we are not subject to significant market risk (including interest rate risk, foreign currency exchange rate risk and commodity price risk) or credit risk.

#### Risks Related to Cash and Cash Equivalents

Our cash and cash equivalents include all short-term highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less from the date of purchase. Cash is primarily maintained at two major U.S. financial institutions. We believe our cash and cash equivalents are not subject to any material interest rate risk, equity price risk, credit risk or other market risk.

#### Credit Risk

We regularly review our accounts receivable and allowance for doubtful accounts by considering factors such as historical experience, credit quality, age of the accounts receivable and recoverable expense balances and the current economic conditions that may affect a customer’s ability to pay such amounts owed to the Company. We maintain an allowance for doubtful accounts that, in our opinion, provides for an adequate reserve to cover losses that may be incurred. As of March 31, 2016 and December 31, 2015, our allowance for doubtful accounts was \$0.8 million and \$0.9 million, respectively, representing 0.5% of the gross accounts receivable at each of the respective dates.

#### Exchange Rate Risk

We are exposed to the risk that the exchange rate of the U.S. dollar relative to other currencies may have an adverse effect on the reported value of our non-U.S. dollar denominated or based assets and liabilities. In addition, the reported amounts of our advisory revenues may be affected by movements in the rate of exchange between the currency in which an invoice is issued and paid and the U.S. dollar, the currency in which our financial statements are denominated. The principal non-U.S. dollar currencies include the pound sterling, the euro, the Japanese yen and the Hong Kong dollar. For the three months ended March 31, 2016 and 2015, the impacts of the fluctuation of foreign currencies in Other Comprehensive Income (Loss), Net of Tax – Currency Translation Adjustment in the Condensed Consolidated and Combined Statements of Comprehensive Income (Loss) were gains of \$0.1 million and \$1.1 million, respectively, and in Interest Income and Other in the Condensed Consolidated and Combined Statements of Operations gains of \$0.1 million for each of the three months ended March 31, 2016 and 2015. We



have not entered into any transaction to hedge our exposure to these foreign currency fluctuations through the use of derivative instruments or other methods as we do not consider there to be significant foreign exchange risk at this time.

#### ITEM 4. CONTROLS AND PROCEDURES

We maintain “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 (the “Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Exchange Act as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) are effective at the reasonable assurance level to accomplish their objectives of ensuring that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

No change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during our most recent quarter, 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

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business.

On April 15, 2016, Plaintiff Gregory G. Barrett filed in the Southern District of New York a putative class action for violation of the federal securities laws against Defendants PJT Partners Inc. and Andrew W. W. Caspersen. The action, styled Gregory G. Barrett v. PJT Partners Inc. and Andrew W. W. Caspersen, No. 1:16-cv-02841-VEC (S.D.N.Y.), was assigned to Judge Valerie E. Caproni. Generally, the complaint alleges that PJT Partners Inc. made misstatements about its business, operational and compliance policies and its compliance and fraud-prevention controls. These alleged misstatements allegedly caused members of the putative class, investors who purchased PJT Partners common stock during the class period, November 12, 2015 to March 28, 2016, to pay an inflated price for PJT Partners common stock. The complaint alleges claims under section 10(b) and Rule 10b-5 of the Exchange Act against PJT Partners Inc. and Caspersen, and under 20(a) of the Exchange Act against Caspersen. We believe that this shareholder action is without merit and will defend it vigorously.

On May 11, 2016, Plaintiff Eugene Stricker, derivatively on behalf of nominal defendant PJT Partners Inc., filed in the Southern District of New York (No. 1:16-cv-03521) an action for breach of fiduciary duty, gross mismanagement and contribution under sections 10(b) and 21(D) of the Exchange Act against Andrew W. W. Caspersen; our Chairman and Chief Executive Officer, Paul J. Taubman; our Chief Financial Officer, Helen T. Meates; and our Directors Kenneth C. Whitney, Dennis S. Hersch, Thomas M. Ryan and Emily K. Rafferty. Generally, the complaint alleges that the defendants breached their fiduciary duties by allegedly causing PJT Partners to make false and/or misleading statements or omissions regarding its compliance and fraud-prevention controls, allegedly causing PJT's public statements to be materially false and misleading. In addition, the complaint alleges that Mr. Whitney, Mr. Hersch and Ms. Rafferty failed appropriately to carry out their duties as members of the Audit Committee. We believe that this derivative action is without merit and will defend it vigorously.

### ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in our Annual Report on Form 10-K, as filed with the SEC on February 29, 2016 pursuant to Rule 424(b)(4) under the Securities Act of 1933, as amended.

The risks described in our Annual Report on Form 10-K and in our subsequently filed Quarterly Reports on Form 10 Q are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In connection with the issuance on January 1, 2016, as deferred compensation, of LTIP Units in PJT Partners Holdings LP to four employees, PJT Partners Inc. issued four corresponding shares of its Class B common stock, par value \$0.01 per share, to these four employees on January 1, 2016. The shares of Class B common stock have no economic rights but entitle the holder, without regard to the number of shares of Class B common stock held, to a number of votes that is equal to the aggregate number of vested and unvested Partnership Units and LTIP Units in PJT Partners Holdings LP held by such holder on all matters presented to stockholders of PJT Partners Inc. other than director elections and removals. With respect to the election and removal of directors of PJT Partners Inc., shares of Class B common stock will initially entitle holders to only one vote per share. However, the voting power of Class B common stock with respect to the election and removal of directors of PJT Partners Inc. may be increased to up to the number of votes to which a holder is then entitled on all other matters presented to stockholders. The issuance of the shares of Class B common stock was not registered under the Securities Act of 1933 because the shares were not issued in a transaction involving the offer or sale of securities.



## Dividend Policy

The Company declared a dividend of \$0.05 per share of Class A common stock in the second quarter of 2016 and plans to regularly pay quarterly dividends.

The declaration and payment of any future dividends will be at the sole discretion of our board of directors. Our board of directors will take into account: general economic and business conditions; our financial condition and operating results; our available cash and current anticipated cash needs; capital requirements; contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders; and such other factors as our board of directors may deem relevant.

PJT Partners Inc. is a holding company and has no material assets other than its ownership of Partnership Units in PJT Partners Holdings LP, and certain cash and cash equivalents it may hold from time to time as described below. In accordance with the partnership agreement of PJT Partners Holdings LP, we intend to cause PJT Partners Holdings LP to make pro rata cash distributions, to the extent of available cash, to the holders of the partnership interests in PJT Partners Holdings LP, including PJT Partners Inc., in amounts equal to 50% of the taxable income allocated to such holders for purposes of funding their tax obligations in respect of the income of PJT Partners Holdings LP that is allocated to them, which we refer to as “tax distributions.” In certain periods, we expect that PJT Partners Inc. will receive tax distributions in excess of the amount required to cover cash dividends, if any, declared by us, and taxes and payments under the tax receivable agreement payable by PJT Partners Inc. To the extent the amount of accumulated cash at PJT Partners Inc. becomes material in future periods, we anticipate that our board of directors will consider appropriate actions, which may include special cash dividends to holders of our Class A common stock. Holders of Partnership Units will not be precluded from effecting exchanges under our exchange agreement prior to any such actions being taken. Because PJT Partners Inc. must pay taxes and make payments under the tax receivable agreement, amounts ultimately distributed as dividends to holders of our Class A common stock are expected to be less than the amounts distributed by PJT Partners Holdings LP to its limited partners on a per unit basis.

The credit agreement governing our revolving credit facility includes, and financing arrangements that we enter into in the future may include, restrictive covenants that limit our ability to pay dividends or repurchase our capital stock. In addition, PJT Partners Holdings LP is generally prohibited under Delaware law from making a distribution to a partner to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of PJT Partners Holdings LP (with certain exceptions) exceed the fair value of its assets. Subsidiaries of PJT Partners Holdings LP are generally subject to similar legal limitations on their ability to make distributions to PJT Partners Holdings LP.

## ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

Not applicable.



ITEM 6. EXHIBITS

Exhibit

Number Exhibit Description

- 2.1 Separation and Distribution Agreement by and among The Blackstone Group L.P., Blackstone Holdings I L.P., New Advisory GP L.L.C., PJT Partners Inc. and PJT Partners Holdings LP, dated as of October 1, 2015 (incorporated herein by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).
- 3.1 Amended and Restated Certificate of Incorporation of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).
- 3.1.1 Certificate of Designation of Series A Junior Participating Preferred Stock of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.1.1 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).
- 3.2 Amended and Restated By-Laws of PJT Partners Inc. (incorporated herein by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-36869) filed with the Securities and Exchange Commission on October 5, 2015).
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 32.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
- 101.INS XBRL Instance Document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should

not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

SIGNATURES

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

Date:  
May 12,  
2016

PJT Partners Inc.

~~By~~/ Paul J. Taubman  
~~Name~~: J. Taubman  
~~Title~~ Chief Executive Officer

~~By~~/ Helen T. Meates  
~~Name~~ Helen T. Meates  
~~Title~~ Chief Financial Officer  
(Principal Financial and Accounting Officer)