PJT Partners Inc.
Form 10-K
February 29, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-36869

PJT Partners Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	36-4797143
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
280 Park Avenue New York, New York	10017
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 364-7800

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

Title of each class	Name of each exchange on which registered
Class A common stock, par value $0.01	New York Stock Exchange

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x (Do not check if a small reporting company)	Small reporting company	¨

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

As of June 30, 2015, the Registrant's Class A common stock was not traded on any exchange or over-the-counter market. As of October 1, 2015, the initial regular-way trading date of the Registrant on the New York Stock Exchange, the aggregate market value of the Registrant's Class A common stock (based upon the closing stock price) held by non-affiliates was $376.4 million.

As of February 22, 2016, there were 17,966,456 shares of Class A common stock, par value $0.01 per share, and 300 shares of Class B common stock, par value $0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant’s Definitive Proxy Statement relating to its 2016 Annual Meeting of Stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

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PJT Partners Inc. was formed in connection with certain merger and spin-off transactions whereby the financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses of The Blackstone Group L.P. ("Blackstone") were combined with PJT Capital LP, a financial advisory firm founded by Paul J. Taubman in 2013 (together with its then affiliates, "PJT Capital"), and the combined business was distributed to Blackstone's unitholders to create PJT Partners Inc., a stand-alone, independent publicly traded company. PJT Partners Inc. is a holding company and its only material asset is its controlling equity interest in PJT Partners Holdings LP, a holding partnership that holds the company's operating subsidiaries, and certain cash and cash equivalents it may hold from time to time as described in "Part II. Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy." As sole general partner of PJT Partners Holdings LP, PJT Partners Inc. operates and controls all of the business and affairs of PJT Partners Holdings LP and its operating entity subsidiaries.

In this Annual Report on Form 10-K, unless the context requires otherwise, the words "PJT Partners Inc." refers to PJT Partners Inc., and "PJT Partners," the "company," "we," "us" and "our" refer to PJT Partners Inc., together with its consolidate subsidiaries, including PJT Partners Holdings LP and its operating subsidiaries.

Forward-Looking Statements

Certain material presented herein contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include the information concerning our results of operations, business strategies, financing plans, competitive position, potential growth opportunities, potential operating performance improvements, the effects of competition and the effects of future legislation or regulations. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "plan," "intend," "anticipate," "estimate," "predict," "potential," "continue," "may," "might," "shou negative of these terms or similar expressions.

Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in such forward-looking statements. You should not put undue reliance on any forward-looking statements contained herein. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

The risk factors discussed in the "Risk Factors" section of this report, as such factors may be updated from time to time in our periodic filings with the United States Securities and Exchange Commission ("SEC"), which are accessible on the SEC's website at www.sec.gov, could cause our results to differ materially from those expressed in forward-looking statements. There may be other risks and uncertainties that we are unable to predict at this time or that are not currently expected to have a material adverse effect on its business. Any such risks could cause our results to differ materially from those expressed in forward-looking statements.

Website Disclosure

We use our website (www.pjtpartners.com) as a channel of distribution of company information. The information we post may be deemed material. Accordingly, investors should monitor the website, in addition to following our press releases, SEC filings and public conference calls and webcasts. In addition, you may automatically receive e-mail alerts and other information about our Company when you enroll your e-mail address by visiting the "Investor Relations" page of our website at ir.pjtpartners.com/investor-relations. The contents of our website are not, however, a part of this report.

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PART I.

ITEM 1. BUSINESS

Overview

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 fund placement and secondary advisory 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. We also provide, through Park Hill Group, fund placement and secondary advisory services for alternative investment managers, including private equity funds, real estate funds and hedge funds. PJT Partners was created in October 2015 through Blackstone's spin-off of its advisory businesses immediately following their combination with PJT Capital LP, a financial advisory firm founded by Paul J. Taubman in 2013. The new company began trading on the New York Stock Exchange ("NYSE") under the symbol "PJT" on October 1, 2015.

We have world-class franchises in each of the areas in which we compete. Our strategic advisory line of business, established in 1985 with the added complement of PJT Partners' team of bankers, 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, both in and out of court, around the globe. With extensive 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 fund placement and secondary advisory line of business, is a world-leading fund placement agent and has provided fund placement and secondary advisory 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.

We report the results of these activities in one operating segment. Financial and other information relating to our operating segment, including foreign and domestic operations for each of the last three fiscal years, is further described in Note 16. "Business Information" in the "Notes to Consolidated and Combined Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" of this filing.

We believe the success of our business is based on a highly-experienced team and a relentless focus on our core principles: prioritizing our client's interests, providing superior client service, developing our long-term relationships and leading with our human and intellectual capital. As of December 31, 2015, our firm had 289 professionals, including 46 partners.

Our Market Opportunity

We intend to grow our revenues by increasing our share of business from existing clients, developing new client relationships as we expand the breadth and depth of our services and enhancing collaboration across the firm to better serve our clients. Our strategy to achieve our growth objectives has four components:

- Capitalize on Our Expanded Addressable Market. Following our separation from Blackstone we have the ability to compete for strategic advisory and fund placement engagements involving financial sponsors and other clients unhindered by the inherent conflicts associated with operating alongside Blackstone's investing businesses. These opportunities would not have been available to us previously due to these conflicts.
- Significantly Increase the Breadth and Depth of Our Advisory Franchise. We are focused on expanding our capabilities in areas where a sizable market opportunity clearly exists by hiring expert, top-tier talent to expand into new industry verticals, geographies and product capabilities, which will enable us to offer increasingly comprehensive and valuable solutions to a broader base of clients.
- Enhance Collaboration Among our Three Businesses to Better Serve Clients. We operate a scaled, diversified global advisory franchise comprised of complementary businesses, which each share our culture of excellence, teamwork and entrepreneurship. Our partners and team members have relationships with hundreds of corporate executives, board members, financial sponsors and governments as well as expertise in multiple product areas, industry verticals and geographies. By operating in a more integrated and cohesive manner we are able to offer our clients a comprehensive and differentiated suite of advisory services. In addition, our deep networks across our three businesses allow us to connect clients and provide incremental value in helping them meet their strategic objectives.
- Remain the Premier Destination for Talent. We will continue to attract best-in-class bankers who want to deliver a broad range of world-class services to their clients around the globe. We offer a unique and compelling proposition to them through our total focus on advisory services; commitment to building a culture of collaboration, character and growth; strong client relationships; deep and exceptional base of talent; and efficient and scalable support infrastructure.

Our Key Competitive Strengths

We intend to execute on our strategy by capitalizing on the following core strengths of our organization:

- 30 Years New. As the newly independent PJT Partners, we combine three decades of experience and excellence with the energy and enthusiasm of a new firm. We are recognized experts in strategic advisory, restructuring and special situations and fund placement and secondary advisory services. Our teams act as trusted advisors to a diverse group of clients around the world. We provide clients with creative solutions addressing a range of complex strategic and fundraising challenges. The creativity and depth of our advice, and the integrity and judgment with which we deliver it, provide a strong foundation for our new and growing business. The quality of our advice is core to what we do.
- Complementary Business Lines. Our firm benefits from having three leading, balanced and complementary businesses. Our unique and diverse portfolio of industry, product and geographical expertise enables us to serve our clients in a differentiated way. Our leading strategic advisory practices allow us to provide best-in-class advice to clients whether they are looking for growth through strategic alternatives, advice in a restructuring or reorganization or access to capital. Our deep networks across businesses allow us to connect clients and help them meet their strategic objectives.
- Global Reach and Importance. We have eight offices in five countries around the globe. From those offices, we are able to advise clients on complex problems anywhere in the world. Our partners have decades of experience and long-standing relationships with hundreds of corporate executives, board members, financial sponsors and governments. Their expertise across multiple product areas, industry verticals and geographies are sought by clients in complex, cross-border situations in dozens of countries. Our Park Hill business has generated long-standing relationships across Europe, the Middle East, Africa and Asia that give them unique access to global capital and drives incremental value for our clients.

- Clients' Results Are Our Reputation. Our success is built around the trust our clients have placed in us. We work every day to ensure that we are providing cutting edge advice on the critical matters facing our clients. We work to navigate our clients through complex challenges and bold opportunities to meet their strategic objectives. Delivering optimal outcomes is what we strive for – our clients' results are our reputation.
- Cohesive and Collaborative Partnership Culture. We have a cohesive partnership centered around core values including integrity, character and excellence. Our culture provides the ideal environment for idea sharing, collaboration and innovation. Our bankers are encouraged to make frequent client connections and leverage the experience and insights of fellow partners to deliver optimal client service and outcomes. Our culture also fosters retention of top talent and provides a superior platform from which to recruit top bankers at all levels.

Our Talent

As of December 31, 2015, we employed 353 individuals across eight offices around the world. This includes 289 professionals, of which 46 were partners. We strive to maintain a work environment that fosters professionalism, excellence, integrity and cooperation among our employees.

As a global-focused investment bank focused solely on providing innovative services to our clients, our people are our most valuable asset. Our partners average 24 years of relevant experience, which they leverage to provide the highest quality advice across our broad suite of strategic advisory, restructuring and special situations and fund placement and secondary advisory services. Our partners are supported by a first-rate team of professionals and we are committed to developing and maximizing their talent and skills.

Competition

The financial services industry is intensely competitive, and we expect it to remain so. Our competitors are other investment banking and financial advisory firms. These entities include brokers and dealers, investment banking firms and commercial banks. We compete on both a global and a regional basis, and on the basis of a number of factors, including depth of client relationships, industry knowledge, transaction execution skills, our range of products and services, innovation, reputation and price.

We also compete to attract and retain qualified employees. Our ability to continue to compete effectively in our business will depend upon our ability to attract new employees and retain and motivate our existing employees.

Regulation

Our business, as well as the financial services industry generally, is subject to extensive regulation in the U.S. and across the globe. As a matter of public policy, regulatory bodies in the U.S. and the rest of the world are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of customers participating in those markets. In the U.S., the SEC is the federal agency responsible for the administration of the federal securities laws. PJT Partners LP, through which strategic advisory and restructuring and special situations services are conducted in the United States, and Park Hill Group LLC, which is an entity within the Park Hill Group fund placement and secondary advisory business, are registered broker-dealers. These registered broker-dealers are subject to regulation and oversight by the SEC. In addition, the Financial Industry Regulatory Authority ("FINRA"), a self-regulatory organization that is subject to oversight by the SEC, adopts and enforces rules governing the conduct, and examines the activities of its member firms, which would include any such registered broker-dealer. State securities regulators also have regulatory or oversight authority over any such registered broker-dealer.

Broker-dealers are subject to regulations that cover all aspects of the securities business, including capital structure, record-keeping and the conduct and qualifications of directors, officers and employees. In particular, as a registered broker-dealer and member of a self-regulatory organization, we are subject to the SEC's uniform net capital rule, Rule 15c3-1. Rule 15c3-1 specifies the minimum level of net capital a broker-dealer must maintain and also requires that a significant part of a broker-dealer's assets be kept in relatively liquid form. The SEC and various self-regulatory organizations impose rules that require notification when net capital falls below certain predefined criteria, limit the ratio of subordinated debt to equity in the regulatory capital composition of a broker-dealer and constrain the ability of a broker-dealer to expand its business under certain circumstances. Additionally, the SEC's uniform net capital rule imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing capital and requiring prior notice to the SEC for certain withdrawals of capital.

In addition to the regulation we are subject to in the U.S., we are subject to regulation internationally, such as by the Financial Conduct Authority in the United Kingdom and the Securities and Futures Commission in Hong Kong.

PJT Partners (UK) Limited is licensed with the United Kingdom's Financial Conduct Authority and is required to maintain regulatory net capital of €50,000. 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.

Certain parts of our business are subject to compliance with laws and regulations of U.S. Federal and state governments, non-U.S. governments, their respective agencies and/or various self-regulatory organizations or exchanges relating to, among other things, the privacy of client information, and any failure to comply with these regulations could expose us to liability and/or reputational damage.

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

Broker-dealers are also subject to regulations, including the USA PATRIOT Act of 2001, which impose obligations regarding the prevention and detection of money-laundering activities, including the establishment of customer due diligence and other compliance policies and procedures.

Failure to comply with these requirements may result in monetary, regulatory and, in certain cases, criminal penalties. In connection with its administration and enforcement of economic and trade sanctions based on U.S. foreign policy and national security goals, the Treasury Department's Office of Foreign Assets Control ("OFAC"), publishes a list of individuals and companies owned or controlled by, or acting for or on behalf of, targeted countries. It also lists individuals, groups and entities, such as terrorists and narcotics traffickers, designated under programs that are not country-specific. Collectively, such individuals and companies are called "Specially Designated Nationals," or SDNs. Assets of SDNs are blocked, and we are generally prohibited from dealing with them. In addition, OFAC administers a number of comprehensive sanctions and embargoes that target certain countries, governments and geographic regions. We are generally prohibited from engaging in transactions involving any country, region or government that is subject to such comprehensive sanctions.

The Foreign Corrupt Practices Act (the "FCPA") and the UK 2010 Bribery Act (the "UK Bribery Act") prohibit the payment of bribes to foreign government officials and political figures. The FCPA has a broad reach, covering all U.S. companies and citizens doing business abroad, among others, and defining a foreign official to include not only those holding public office but also local citizens acting in an official capacity for or on behalf of foreign government-run or -owned organizations or public international organizations. The FCPA also requires maintenance of appropriate books and records and maintenance of adequate internal controls to prevent and detect possible FCPA violations. Similarly, the UK Bribery Act prohibits us from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage.

Park Hill Group is also affected by various state and local regulations that restrict or prohibit the use of placement agents in connection with investments by public pension funds, including regulations in New York, Illinois and California. Similar measures are being considered or have been implemented in other jurisdictions.

The Spin-off from Blackstone

Overview

On October 1, 2015, we and Blackstone completed a transaction pursuant to which Blackstone's financial and strategic advisory services, restructuring and reorganization advisory services and Park Hill Group businesses were combined with PJT Capital and the combined business was distributed to Blackstone's unitholders to form PJT Partners, an independent, publicly traded company.

Throughout this Annual Report on Form 10-K, we refer to this transaction as the “spin-off” or the “acquisition.”

In connection with the spin-off, we entered into a Separation and Distribution Agreement (the “Separation Agreement”) and several other agreements with Blackstone related to the spin-off. These agreements set forth the principal transactions required to effect the separation from Blackstone and provided for the allocation between us and Blackstone of various assets, liabilities, rights and obligations (including employee benefits and tax-related assets and liabilities) and govern the relationship between us and Blackstone after completion of the spin-off. These agreements also included arrangements with respect to transitional services to be provided by Blackstone to PJT Partners.

Refer to Note 12. “Transactions with Related Parties” in the “Notes to Consolidated and Combined Financial Statements” of “Part II. Item 8. Financial Statements and Supplementary Data” for further information about agreements entered into in connection with the spin-off.

Organizational Structure Following the Spin-Off

In connection with the spin-off, Blackstone underwent an internal reorganization, pursuant to which the operations that historically constituted Blackstone’s Financial Advisory reporting segment, other than Blackstone’s capital markets services business, were contributed to PJT Partners Holdings LP, a holding partnership that is 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 (the “Blackstone Holdings partnerships”) and certain individuals engaged in our 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 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. In addition, in connection with the spin-off, PJT Partners personnel received various types of awards under the PJT Partners Inc. 2015 Omnibus Incentive Plan denominated in shares of Class A common stock of PJT Partners Inc. and partnership interests in PJT Partners Holdings LP.

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 partners and employees of PJT Capital LP received unvested Partnership Units and other partnership interests in PJT Partners Holdings LP.

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. 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 described in “Part II. Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy.” 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 ownership interest of the holders of Partnership Units (other than PJT Partners Inc.) is reflected as a redeemable non-controlling interest in PJT Partners Inc.’s consolidated and combined financial statements.

Our employees and certain Blackstone executive officers and employees also hold 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 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 initially entitle holders to only one vote per share, representing significantly less than one percent of the voting power entitled to vote thereon. 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 voting power on applicable matters afforded to holders of partnership interests 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 our Class B common stock will vote together with holders of our 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. Blackstone's senior management, including Mr. Schwarzman and all of Blackstone's other executive officers, provided an irrevocable proxy to Mr. Taubman to vote their shares of Class B common stock for so long as Mr. Taubman is the CEO of PJT Partners Inc.

We and the holders of Partnership Units also entered into an exchange agreement under which they (or certain permitted transferees) have the right, 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), to exchange all or part of their Partnership Units for cash or, at our election, for shares of our 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 our Class A common stock (determined in accordance with and subject to adjustment under the exchange agreement). In the event that PJT Partners Inc. elects to fund cash-settled exchanges of Partnership Units with new issuances of Class A common stock, the fair value of a share of our 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 our Class A common stock.

Available Information

PJT Partners Inc., formerly known as Blackstone Advisory Inc., was incorporated in the State of Delaware on November 5, 2014 and changed its name to PJT Partners Inc. on March 3, 2015.

We file annual, quarterly and current reports and other information with the SEC. These filings are available to the public over the internet at the SEC's website at www.sec.gov. You may also read and copy any document we file at the SEC's Public Reference Room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room.

Our website address is www.pjtpartners.com. We make available free of charge on or through www.pjtpartners.com our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8 K, and amendments to those reports, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The contents of our website are not, however, a part of this report.

ITEM 1A. RISK FACTORS

Risks Relating to Our Business

Our future growth will depend on, among other things, our ability to successfully identify, recruit and develop talent and will require us to commit additional resources.

Our future growth will depend on, among other things, our ability to successfully identify and recruit individuals and teams to join our firm. It typically takes time for these professionals to become profitable and effective. During that time, we may incur significant expenses and expend significant time and resources toward training, integration and business development aimed at developing this new talent. If we are unable to recruit and develop profitable professionals, we will not be able to implement our growth strategy and our financial results could be materially adversely affected.

In addition, sustaining growth will require us to commit additional management, operational and financial resources and to maintain appropriate operational and financial systems to adequately support expansion, especially in instances where we open new offices that may require additional resources before they become profitable. There can be no assurance that we will be able to manage our expanding operations effectively, and any failure to do so could materially adversely affect our ability to grow revenue and control our expenses.

Changing market conditions can adversely affect our business in many ways, including by reducing the volume of the transactions involving our business, which could materially reduce our revenue.

As a participant in the financial services industry, we are materially affected by conditions in the global financial markets and economic conditions throughout the world. For example, a substantial portion of our revenue is directly related to the volume and value of the transactions in which we are involved. During periods of unfavorable market or economic conditions, the volume and value of M&A transactions may decrease, thereby reducing the demand for our M&A advisory services and increasing price competition among financial services companies seeking such engagements. In addition, during periods of strong market and economic conditions, the volume and value of restructuring and reorganization transactions may decrease, thereby reducing the demand for our restructuring and special situations services and increasing price competition among financial services companies seeking such engagements. Our results of operations would be adversely affected by any such reduction in the volume or value of such advisory transactions. Further, in the period following an economic downturn, the volume and value of M&A transactions typically takes time to recover and lags a recovery in market and economic conditions.

Our profitability may also be adversely affected by our fixed costs and the possibility that we would be unable to scale back other costs within a time frame sufficient to match any decreases in revenue relating to changes in market and economic conditions. The future market and economic climate may deteriorate because of many factors beyond our control, including rising interest rates or inflation, terrorism or political uncertainty.

Our revenue in any given period is dependent on the number of fee-paying clients in such period, and a significant reduction in the number of fee-paying clients in any given period could reduce our revenue and adversely affect our operating results in such period.

A substantial portion of our revenue in any given period is dependent on the number of fee-paying clients in such period. We had 98 clients and 103 clients that generated fees equal to or greater than $1 million in 2015 and 2014, respectively. We may lose clients as a result of the sale or merger of a client, a change in a client's senior management, competition from other financial advisors and financial institutions and other causes. A significant reduction in the number of fee-paying clients in any given period could reduce our revenue and adversely affect our operating results in such period.

The composition of the group comprising our largest clients varies significantly from year to year, and a relatively small number of clients may account for a significant portion of our consolidated revenues in any given period. As a result, our operating results, financial condition and liquidity may be significantly affected by the loss of a relatively small number of mandates or the failure of a relatively small number of assignments to be completed. However, no client accounted for more than 10% of our total revenues for the years ended December 31, 2015, 2014 or 2013.

We have recorded net losses in the past and we may experience net losses in the future.

Although we have achieved profitability on a pretax income basis as a segment of Blackstone, we have recorded consolidated or combined net losses in four of the five years ended December 31, 2015. These net losses were inclusive in each period of significant non-cash charges, consisting primarily of transaction-based equity-based compensation charges associated with Blackstone's initial public offering ("IPO") and in connection with the spin-off, the amortization of intangible assets that were recorded in connection with Blackstone's IPO and the related reorganization and amortization expense associated with intangible assets related to the acquisition of PJT Capital LP. We expect such non-cash charges to continue to be significant in future periods and, as a result, we may likely continue to record net losses in future periods.

If the number of debt defaults, bankruptcies or other factors affecting demand for our restructuring and special situations services declines, our restructuring and special situations business could suffer.

We provide various financial restructuring and reorganization and related advice to companies in financial distress or to their creditors or other stakeholders. A number of factors affect demand for these advisory services, including general economic conditions, the availability and cost of debt and equity financing, governmental policy and changes to laws, rules and regulations, including those that protect creditors. In addition, providing restructuring and special situations advisory services entails the risk that the transaction will be unsuccessful, takes considerable time and can be subject to a bankruptcy court's discretionary power to disallow or discount our fees. If the number of debt defaults, bankruptcies or other factors affecting demand for our restructuring and special situations advisory services declines, our restructuring and special situations business would be adversely affected.

We depend on the efforts and reputations of Mr. Taubman and other key personnel.

We depend on the efforts and reputations of Mr. Taubman and our other senior bankers. Our senior banking team's reputations and relationships with clients and potential clients are critical elements in the success of our business. Mr. Taubman and our other senior executives and bankers are important to our success because they are instrumental in setting our strategic direction, operating our business, identifying, recruiting and training key personnel, maintaining relationships with our clients, and identifying business opportunities. The loss of one or more of these executives or other key individuals could impair our business and development until qualified replacements are found. We may not be able to replace these individuals quickly or with persons of equal experience and capabilities. Although we have employment agreements with certain of these individuals, we cannot prevent them from terminating their employment with us. In addition, our non-compete agreements with such individuals may not be enforced by the courts. The loss of the services of any of them, in particular Mr. Taubman, could have a material adverse effect on our business, including our ability to attract clients.

Our separation from Blackstone and transition to an independent, publicly traded company may adversely affect our ability to retain and motivate our partners and other key personnel, which could adversely affect our business, results and financial condition.

Our future success and growth depends to a substantial degree on our ability to retain and motivate our partners and other key personnel. Our professionals possess substantial experience and expertise and have strong relationships with our clients. As a result, the loss of these professionals could jeopardize our relationships with clients and result in the loss of client engagements. We may not be successful in our efforts to retain and motivate the required personnel as the market for qualified advisory and funds advisory services professionals is extremely competitive. As part of the internal reorganization, our partners received certain equity incentives in PJT Partners Inc. in replacement of, and subject to the same vesting terms, settlement dates and transfer restrictions as, existing equity incentives in Blackstone. A significant portion of these replacement equity incentives are subject to near-term vesting. Replacement awards with respect to 170,188 shares of our Class A common stock, representing 11.2% of the 1,518,367 replacement awards with respect to shares of our Class A common stock and Partnership Units of PJT Partners Holdings LP received by PJT Partners personnel in connection with the spin-off, are scheduled to vest within the next twelve months. Accordingly, the efficacy of this equity as a retention tool may be diminished as a result of this near-term vesting. Distributions in respect of equity interests in PJT Partners Inc. may not equal the cash distributions previously received by our partners prior to the spin-off in respect of their equity interests in Blackstone. There is no guarantee that our compensation and non-competition arrangements with our partners provide sufficient incentives or protections to prevent our partners from resigning to join our competitors, whether as a result of our separation from Blackstone, new leadership or otherwise. Some of our competitors have more resources than us which may allow them to attract some of our existing employees through compensation or otherwise. The departure of a number of partners or groups of professionals could have a material adverse effect on our business and profitability.

Our revenue and profits are highly volatile on a quarterly basis and may cause the price of our Class A common stock to fluctuate and decline.

Our revenue and profits are highly volatile. We earn advisory fees, generally from a limited number of engagements that generate significant fees at key transaction milestones, such as closing, the timing of which is outside of our control. We expect that we will continue to rely on advisory fees for a substantial portion of our revenue for the foreseeable future. Accordingly, a decline in our advisory engagements or the market for advisory services would adversely affect our business. In addition, our financial results will likely fluctuate from quarter to quarter based on the timing of when fees are earned, and high levels of revenue in one quarter will not necessarily be predictive of continued high levels of revenue in future periods. Because advisory revenue is volatile and represents a significant portion of our total revenue, we may experience greater variations in our revenue and profits than other larger, more diversified competitors in the financial services industry. Fluctuations in our quarterly financial results could, in turn, lead to large adverse movements in the price of our Class A common stock or increased volatility in our stock price generally.

Because in many cases we are not paid until the successful consummation of the underlying transaction, our revenue is highly dependent on market conditions and the decisions and actions of our clients, interested third parties and governmental authorities. For example, we may be engaged by a client in connection with a sale or divestiture, but the transaction may not occur or be consummated because, among other things, anticipated bidders may not materialize, no bidder is prepared to pay our client's price or because our client's business experiences unexpected operating or financial problems. We may be engaged by a client in connection with an acquisition, but the transaction may not occur or be consummated for a number of reasons, including because our client may not be the winning bidder, failure to agree upon final terms with the counterparty, failure to obtain necessary regulatory consents or board or stockholder approvals, failure to secure necessary financing, adverse market conditions or because the target's business experiences unexpected operating or financial problems. In these circumstances, we often do not receive significant advisory fees, despite the fact that we have devoted considerable resources to these transactions.

In addition, with respect to Park Hill Group, our fund placement and secondary advisory services line of business, we face the risk that we may not be able to collect on all or a portion of the fees that we recognize. The placement fees earned by Park Hill Group are generally recognized by us for accounting purposes upon the successful subscription by an investor in a client's fund and/or the closing of that fund. However, those fees are typically paid by a Park Hill Group client over a period of time with interest (for example, three to four years) following such successful subscription by an investor in a client's fund and/or the closing of that fund. There is a risk that during that period of time, Park Hill Group may not be able to collect on all or a portion of the fees Park Hill Group is due for the funds advisory services it has already provided to such client. For instance, a Park Hill Group client's fund may be liquidated prior to the time that all or a portion of the fees due to Park Hill Group are due to be paid. Moreover, to the extent fewer assets are raised for funds or interest by investors in alternative asset funds declines, the placement fees earned by Park Hill Group would be adversely affected.

In addition, we face the risk that certain clients may not have the financial resources to pay our agreed-upon advisory fees. Certain clients may also be unwilling to pay our advisory fees in whole or in part, in which case we may have to incur significant costs to bring legal action to enforce our engagement agreement to obtain our advisory fees. We recorded an allowance for doubtful accounts at December 31, 2015 and 2014 of $0.9 million and $3.8 million, respectively.

Our joint ventures, strategic investments and acquisitions may result in additional risks and uncertainties in our business.

In addition to recruiting and internal expansion, we may grow our core business through joint ventures, strategic investments or acquisitions. In the event we make strategic investments or acquisitions, we would face numerous risks and would be presented with financial, managerial and operational challenges, including the difficulty of integrating personnel, financial, accounting, technology and other systems and management controls.

Our failure to deal appropriately with actual, potential or perceived conflicts of interest could damage our reputation and materially adversely affect our business.

We confront actual, potential or perceived conflicts of interest in our business. For instance, we face the possibility of an actual, potential or perceived conflict of interest where we represent a client on a transaction in which an existing client is a party. We may be asked by two potential clients to advise on the same transaction, including two clients as potential buyers in the same acquisition, and we may act for both clients if both clients agree to our doing so. In each of these situations, we face the risk that our current policies, controls and procedures may not timely identify or appropriately manage such conflicts of interest.

It is possible that actual, potential or perceived conflicts could give rise to client dissatisfaction, litigation or regulatory enforcement actions. Appropriately identifying and managing actual or perceived conflicts of interest is complex and difficult. Our reputation could be damaged if we fail, or appear to fail, to deal appropriately with one or more potential or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, conflicts of interest could have a material adverse effect on our reputation which could materially adversely affect our business in a number of ways, including a reluctance of some potential clients and counterparties to do business with us.

Employee or contractor misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and by subjecting us to legal liability and reputational harm.

There is a risk that our employees or contractors could engage in misconduct that would adversely affect our business. For example, our business often requires that we deal with confidential matters of great significance to our clients. If our employees or contractors were to improperly use or disclose confidential information provided by our clients, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients. It is not always possible to deter such misconduct, and the precautions we take to detect and prevent misconduct may not be effective in all cases. If our employees or contractors engage in misconduct, our business could be materially adversely affected.

In recent years, the U.S. Department of Justice and the SEC have devoted greater resources to enforcement of the FCPA. In addition, the United Kingdom has significantly expanded the reach of its anti-bribery laws. While we have developed and implemented policies and procedures designed to ensure strict compliance by us and our personnel with the FCPA, such policies and procedures may not be effective in all instances to prevent violations. Any determination that we have violated the FCPA or other applicable anti-corruption laws could subject us to, among other things, civil and criminal penalties, material fines, profit disgorgement, injunctions on future conduct, securities litigation and a general loss of investor confidence, any one of which could adversely affect our business prospects, financial position or the market value of our common shares.

We may face damage to our professional reputation if our services are not regarded as satisfactory or for other reasons.

As an advisory service firm, we depend to a large extent on our relationships with our clients and reputation for integrity and high-caliber professional services to attract and retain clients. As a result, if a client is not satisfied with our services, it may be more damaging in our business than in other businesses.

We face strong competition from other financial advisory firms, many of which have greater resources and broader product and services offerings than we do.

The financial services industry is intensely competitive, and we expect it to remain so. Our competitors are other investment banking and financial advisory firms. We compete on both a global and a regional basis, and on the basis of a number of factors, including depth of client relationships, industry knowledge, transaction execution skills, our range of products and services, innovation, reputation and price. In addition, in our business there are usually no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately solicited, awarded and negotiated.

We have experienced significant competition when obtaining advisory mandates, and we may experience pricing pressures in our business in the future as some of our competitors may seek to obtain increased market share by reducing fees.

Our primary competitors are large financial institutions, many of which have far greater financial and other resources and have the ability to offer a wider range of products and services. In addition, we may be at a competitive disadvantage with regard to certain of our competitors who are able to and often do, provide financing or market making services that are often a crucial component of the types of transactions on which we advise. In addition to our larger competitors, over the last few years a number of independent investment banks that offer independent advisory services have emerged, with several showing rapid growth. As these independent firms or new entrants into the market seek to gain market share there could be pricing pressures, which would adversely affect our revenues and earnings.

In addition, Park Hill Group operates in a highly competitive environment and the barriers to entry into the fund placement and secondary advisory business are low.

As a member of the financial services industry, we face substantial litigation risks.

Our role as advisor to our clients on important transactions involves complex analysis and the exercise of professional judgment, including rendering “fairness opinions” in connection with mergers and other transactions. Our activities may subject us to the risk of significant legal liabilities to our clients and affected third parties, including shareholders of our clients who could bring securities class actions against us. In recent years, the volume of claims and amount of damages claimed in litigation and regulatory proceedings against financial services companies have increased. These risks are difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time. Our engagements typically include broad indemnities from our clients and provisions to limit our exposure to legal claims relating to our services, but these provisions may not protect us in all cases, including when a client does not have the financial capacity to pay under the indemnity. As a result, we may incur significant legal expenses in defending against or settling litigation. In addition, we may have to spend a significant amount to adequately insure against these potential claims. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which could seriously harm our business prospects.

Extensive and evolving regulation of our business and the business of our clients exposes us to the potential for significant penalties and fines due to compliance failures, increases our costs and may result in limitations on the manner in which our business is conducted.

As a participant in the financial services industry, we are subject to extensive regulation in the U.S. and internationally. We are subject to regulation by governmental and self-regulatory organizations in the jurisdictions in which we operate. As a result of market volatility and disruption in recent years, the U.S. and other governments have taken unprecedented steps to try to stabilize the financial system including providing assistance to financial institutions and taking certain regulatory actions. The long-term effects of these actions and of legislative and regulatory initiatives (including the Dodd-Frank Wall Street Reform and Consumer Protection Act) effected in connection with, and as a result of, such extraordinary disruption and volatility is uncertain, both as to the financial markets and participants in general, and as to us in particular.

Our ability to conduct business and our operating results, including compliance costs, may be adversely affected as a result of any new requirements imposed by the SEC, FINRA or other U.S. or foreign governmental regulatory authorities or self-regulatory organizations that regulate financial services firms or supervise financial markets. We may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. In addition, some of our clients or prospective clients may adopt policies that exceed regulatory requirements and impose additional restrictions affecting their dealings with us. Accordingly, we may incur significant costs to comply with U.S. and international regulation. In addition, new laws or regulations or changes in enforcement of existing laws or regulations applicable to our clients may adversely affect our business. For example, changes in antitrust enforcement could affect the level of mergers and acquisitions activity and changes in applicable regulations could restrict the activities of our clients and their need for the types of advisory services that we provide to them.

In addition, several states and municipalities in the United States, such as California, Illinois, New York State, and New York City have adopted “pay-to-play” and placement agent rules which, in addition to imposing registration and reporting requirements, limit our ability to charge fees in connection with certain engagements of Park Hill Group or restrict or prohibit the use of placement agents in connection with investments by public pension funds. These types of measures could materially and adversely impact our Park Hill Group business.

Our failure to comply with applicable laws or regulations could result in adverse publicity and reputational harm as well as fines, suspensions of personnel or other sanctions, including revocation of our registration or any of our subsidiaries as a financial advisor and could impair retention or recruitment of personnel. In addition, any changes in the regulatory framework could impose additional expenses or capital requirements on us, result in limitations on the manner in which our business is conducted, have an adverse impact upon our financial condition and business and require substantial attention by senior management. In addition, our business is subject to periodic examination by various regulatory authorities, and we cannot predict the outcome of any such examinations.

Our business is subject to various operational risks.

We face various operational risks related to our business on a day-to-day basis. We rely heavily on financial, accounting, communication and other information technology systems, and the people who operate them. These systems, including the systems of third parties on whom we rely, may fail to operate properly or become disabled as a result of tampering or a breach of our network security systems or otherwise, including for reasons beyond our control.

Our clients typically provide us with sensitive and confidential information. We are dependent on information technology networks and systems to securely process, transmit and store such information and to communicate among our locations around the world and with our clients, alliance partners and vendors. We may be subject to attempted security breaches and cyber-attacks and, while none have had a material impact to date, a successful breach could lead to shutdowns or disruptions of our systems or third-party systems on which we rely and potential unauthorized disclosure of sensitive or confidential information. Breaches of our or third-party network security systems on which we rely could involve attacks that are intended to obtain unauthorized access to our proprietary information, destroy data or disable, degrade or sabotage our systems, often through the introduction of computer viruses, cyber-attacks and other means and could originate from a wide variety of sources, including unknown third parties outside the firm. Although we take various measures to ensure the integrity of our and third-party systems on which we rely, there can be no assurance that these measures will provide adequate protection. If our or third-party systems on which we rely are compromised, do not operate properly or are disabled, we could suffer a disruption of our business, financial losses, liability to clients, regulatory sanctions and damage to our reputation.

We operate a business that is highly dependent on information systems and technology. Any failure to keep accurate books and records can render us liable to disciplinary action by governmental and self-regulatory authorities, as well as to claims by our clients. We rely on third-party service providers for certain aspects of our business. Any interruption or deterioration in the performance of these third parties or failures of their information systems and technology could impair our operations, affect our reputation and adversely affect our business.

In addition, a disaster or other business continuity problem, such as a pandemic, other man-made or natural disaster or disruption involving electronic communications or other services used by us or third parties with whom we conduct business, could lead us to experience operational challenges, and our inability to timely and successfully recover could materially disrupt our business and cause material financial loss, regulatory actions, reputational harm or legal liability.

We may not be able to generate sufficient cash in the future to service any future indebtedness.

Our ability to make scheduled payments on or to refinance any future debt obligations depends on our financial condition and operating performance. We cannot provide assurance that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal of, and interest on, any future indebtedness. If our cash flows and capital resources are insufficient to fund any future debt service obligations, we may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance such indebtedness.

Our international operations are subject to certain risks, which may affect our revenue.

In 2015, we earned 6.0% of our total revenues from our international operations. We intend to grow our non-U.S. business, and this growth is important to our overall success. In addition, many of our larger clients are non-U.S. entities seeking to enter into transactions involving U.S. businesses. Our international operations carry special financial and business risks, which could include the following:

- greater difficulties in managing and staffing foreign operations;
- language and cultural differences;
- fluctuations in foreign currency exchange rates that could adversely affect our results;
- unexpected changes in trading policies, regulatory requirements, tariffs and other barriers;
- longer transaction cycles;
- higher operating costs;
- adverse consequences or restrictions on the repatriation of earnings;
- potentially adverse tax consequences, such as trapped foreign losses;
- less stable political and economic environments; and
- civil disturbances or other catastrophic events that reduce business activity.

If our international business increases relative to our total business, these factors could have a more pronounced effect on our operating results.

Our fund placement and secondary advisory services business is dependent on the availability of private capital for deployment in illiquid asset classes such as private equity, hedge and real estate funds for clients we serve.

Park Hill Group provides fund placement and secondary advisory services for alternative investment managers, including private equity funds, real estate funds and hedge funds. Our ability to find suitable engagements and earn fees in this business depends on the availability of private and public capital for investments in illiquid assets such as private equity, hedge and real estate funds. Our ability to assist fund managers and sponsors raise capital from investors depends on a number of factors, including many that are outside our control, such as the general economic environment and changes in the weight investors give to alternative asset investments as part of their overall investment portfolio among asset classes. Following the onset of the financial crisis, there was a shortage of capital available for investment in such asset classes, and far fewer new funds were raised than in the period preceding the crisis. Additionally, certain investors, such as public pension plans, may have policies prohibiting the use of placement agents by fund sponsors or managers in connection with a limited partner's investment. To the extent private and public capital focused on illiquid investment opportunities for our clients is limited, the results of Park Hill Group may be adversely affected.

We may enter into new lines of business which may result in additional risks and uncertainties in our business.

We currently generate substantially all of our revenue from our strategic advisory, restructuring and special situations and fund placement and secondary advisory services businesses. However, we may grow our business by entering into new lines of business. To the extent we enter into new lines of business, we will face numerous risks and uncertainties, including risks associated with actual or perceived conflicts of interest because we would no longer be limited to the advisory business, the possibility that we have insufficient expertise to engage in such activities profitably or without incurring inappropriate amounts of risk, the required investment of capital and other resources and the loss of clients due to the perception that we are no longer focusing on our core business.

Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. In addition, certain aspects of our cost structure, such as costs for compensation, occupancy and equipment rentals, communication and information technology services, and depreciation and amortization will be largely fixed, and we may not be able to timely adjust these costs to match fluctuations in revenue related to our entering into new lines of business. If a new business generates insufficient revenues or if we are unable to efficiently manage our expanded operations, our results of operations could be materially adversely affected.

Fluctuations in foreign currency exchange rates could adversely affect our results.

Because our financial statements are denominated in U.S. dollars and we receive a portion of our net revenue in other currencies (including euros and pound sterling), we are exposed to fluctuations in foreign currencies. In addition, we pay certain of our expenses in such currencies. We have not entered into any transactions to hedge our exposure to these foreign exchange fluctuations through the use of derivative instruments or otherwise. An appreciation or depreciation of any of these currencies relative to the U.S. dollar would result in an adverse or beneficial impact, respectively, to our financial results.

The cost of compliance with international broker-dealer, employment, labor, benefits and tax regulations may adversely affect our business and hamper our ability to expand internationally.

Since we operate our business both in the U.S. and internationally, we are subject to many distinct broker-dealer, employment, labor, benefits and tax laws in each country in which we operate, including regulations affecting our employment practices and our relations with our employees and service providers. If we are required to comply with new regulations or new interpretations of existing regulations, or if we are unable to comply with these regulations or interpretations, our business could be adversely affected or the cost of compliance may make it difficult to expand into new international markets. Additionally, our competitiveness in international markets may be adversely affected by regulations requiring, among other things, the awarding of contracts to local contractors, the employment of local citizens and/or the purchase of services from local businesses or favoring or requiring local ownership.

Restrictions in the credit agreement governing our revolving credit facility may impair our ability to finance our future operations or capital needs or engage in other business activities that may be in our interests.

We have obtained a revolving credit facility in an aggregate principal amount of $60 million with the option for a temporary increase of up to $80 million total.

The credit agreement governing such revolving credit facility contains a number of significant covenants that, among other things, would require us to maintain certain minimum tangible net worth and liquidity and maximum leverage levels and the covenants may restrict our ability to:

- sell assets;
- incur more indebtedness;
- repay certain indebtedness;
- make certain investments or business acquisitions;
- make certain capital expenditures;
- engage in business mergers or consolidations; and
- engage in certain transactions with subsidiaries and affiliates.

These restrictions could impair our ability to finance our future operations or capital needs or engage in other business activities that may be in our interests. In addition, such credit agreement could also require us to maintain compliance with certain financial ratios, including those relating to earnings before interest, taxes, depreciation and amortization and consolidated indebtedness. Our ability to comply with these ratios and covenants may be affected by events beyond our control. A breach of the provisions of our credit agreement or our inability to comply with the required financial ratios or covenants included therein could result in a default thereunder. In the event of any such default, the lenders under the credit agreement could elect to:

- declare all outstanding debt, accrued interest and fees to be due and immediately payable; and
- require us to apply all of our available cash to repay our outstanding senior debt.

Risks Relating to the Spin-Off

We completed the spin-off transaction from Blackstone on October 1, 2015. The following risk factors highlight the various risks involved in the spin-off.

We may be responsible for U.S. Federal income tax liabilities that relate to the distribution.

The spin-off was conditioned on the receipt of an opinion of tax counsel to the effect that certain transactions in Blackstone's internal reorganization should qualify as tax-free distributions under Section 355 of the Code, and a certain transaction in the internal reorganization should qualify as a tax-free reorganization under Section 368 of the Code. Blackstone's receipt of the opinion of tax counsel satisfied a condition to completion of the spin-off. An opinion of tax counsel is not binding on the Internal Revenue Service (the "IRS"). Accordingly, the IRS may reach conclusions with respect to the spin-off that are different from the conclusions reached in the opinion. The opinion is based on certain factual statements and representations, which, if incomplete or untrue in any material respect, could cause the tax consequences of the transactions to be different than those set forth in the opinion.

At the time of the spin-off, Blackstone represented to us that it was not aware of any facts or circumstances that would cause any such factual statements or representations in the opinion of tax counsel to be incomplete or untrue or cause the facts on which the opinion will be based to be materially different from the facts at the time of the spin-off. If, notwithstanding the receipt of the opinion of tax counsel, the IRS were to successfully assert that certain transactions in the internal reorganization were not tax-free distributions under Section 355 of the Code or that a certain transaction in the internal reorganization did not qualify as a tax-free reorganization under Section 368 of the Code, one or both of the Blackstone subsidiaries that distributed their interest in our business (the "Distributing Corporations") or we would recognize a substantial tax liability.

Even if such transactions in the internal reorganization otherwise qualify as tax-free distributions for U.S. Federal income tax purposes, such transactions will be taxable to one or both of the Distributing Corporations (but not to Blackstone common unitholders) pursuant to Section 355(e) of the Code if there are one or more acquisitions (including by reason of issuances) of our stock in excess of specified thresholds, measured by vote or value, or acquisitions of the stock of one or both of the Distributing Corporations representing 50% or more, measured by vote or value, of the then-outstanding stock of us or such Distributing Corporation and the acquisition or acquisitions are deemed to be part of a plan or series of related transactions that include the transactions in the internal reorganization. Any acquisition of any class of our common stock or stock of a Distributing Corporation within two years before or after the distribution (with exceptions, including public trading by less-than-5% shareholders and certain compensatory stock issuances) generally will be presumed to be part of such a plan unless that presumption is rebutted. The resulting tax liability may have a material adverse effect on our business, financial condition, results of operations or cash flows.

We have agreed not to enter into certain transactions that could cause any portion of the spin-off to be taxable to the Distributing Corporations, including under Section 355(e) of the Code. Pursuant to the Tax Matters Agreement, we agreed to indemnify Blackstone for any tax to a Distributing Corporation resulting from certain acquisitions of our stock, whether or not Blackstone consented to such actions or we were otherwise permitted to take such action under the Tax Matters Agreement. In addition, if certain transactions in the internal reorganization were taxable or became taxable, then under U.S. Treasury regulations we would be severally liable for the resulting U.S. Federal income tax liability of one of the Distributing Corporations. These obligations may discourage, delay or prevent a change of control of PJT Partners Inc.

Our accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which we are now subject as an independent public company.

Our financial results previously were included within the consolidated results of Blackstone for periods presented prior to October 1, 2015, and we believe that our financial reporting and internal controls were appropriate for a subsidiary of a public company. However, we were not directly subject to the reporting and other requirements of the Exchange Act. In connection with the spin-off, we are directly subject to reporting and other obligations under the Exchange Act and we will be required to comply with all of the provisions of Section 404 of the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”), which will require annual management assessments of the effectiveness of our internal controls over financial reporting. However, our independent registered public accounting firm is not required to express an opinion as to the effectiveness of our internal control over financial reporting until after we are no longer an “emerging growth company,” as defined in the JOBS Act. At such time, however, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. These reporting and other obligations may place significant demands on our management, administrative and operational resources, including accounting systems and resources.

The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. Under the Sarbanes-Oxley Act, we are required to maintain effective disclosure controls and procedures and internal controls over financial reporting. To comply with these requirements, we may need to upgrade our systems; implement additional financial and management controls, reporting systems and procedures; and hire additional accounting and finance staff. We expect to incur additional annual expenses for the purpose of addressing these requirements, and those expenses may be significant. Any failure to achieve and maintain effective internal controls could have a material adverse effect on our financial condition, results of operations or cash flows.

We have a limited operating history as an independent company and our historical financial information may not be a reliable indicator of our future results.

For periods prior to October 1, 2015, the historical financial information we have included in this Form 10-K has been derived from the consolidated financial statements of Blackstone, and does not necessarily reflect what our financial position, results of operations and cash flows would have been as a separate, stand-alone entity during the periods presented. Blackstone did not account for us, and we were not operated, as a single stand-alone entity for the periods presented prior to October 1, 2015 even if we represented an important business in the historical consolidated financial statements of Blackstone. In addition, the historical financial information is not necessarily indicative of what our results of operations, financial position and cash flows will be in the future. For example, following the spin-off, changes have occurred in our cost structure, funding and operations, including changes in our tax structure, increased costs associated with reduced economies of scale and increased costs associated with becoming a public, stand-alone company.

We are an emerging growth company, and any decision on our part to comply with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we currently intend to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our registration statements, periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years following the completion of the spin-off. We will cease to be an emerging growth company upon the earliest of: (1) the end of the fiscal year following the fifth anniversary of the spin-off; (2) the first fiscal year after our annual gross revenues are $1.0 billion or more; (3) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; or (4) the date we became a "large accelerated filer" under the Exchange Act. We cannot predict if investors will find our common stock less attractive if we choose to rely on these exemptions. If some investors find our common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our common stock and the price of our common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this accommodation allowing for delayed adoption of new or revised accounting standards, and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

We may be unable to achieve some or all of the benefits that we expect to achieve from the spin-off.

As an independent, publicly traded company, we believe that our business will benefit from, among other things, (1) capitalizing upon an expanded addressable market, (2) significantly increasing the breadth and depth of our advisory franchise, and (3) enhancing the collaboration among our three businesses to better serve clients. However, by separating from Blackstone, we may be more susceptible to market fluctuations and other adverse events than we would have been were we still a part of Blackstone. In addition, we may not be able to achieve some or all of the benefits that we expect to achieve as an independent company in the time we expect, if at all. For example, while we believe that separation from Blackstone has meaningfully enhanced our opportunities for organic growth, our relationships with certain clients could be adversely affected because certain partners and other professionals historically engaged in our business no longer work for PJT Partners following the spin-off.

We are not able to rely upon Blackstone for working capital requirements or other financial support functions as we have done historically, and we depend on our ability to generate cash from operations, financings or asset sales to maintain sufficient working capital.

For periods prior to October 1, 2015, we historically relied upon Blackstone for working capital requirements on a short-term basis and for other financial support functions. After the spin-off, we are not able to rely on the earnings, assets or cash flow of Blackstone, and we are responsible for servicing our own debt, and obtaining and maintaining sufficient working capital. Blackstone had historically provided financing to us at rates consistent with those under Blackstone's revolving credit facility, which we believe are not representative of the cost of financing that we will incur as a stand-alone company. Accordingly, we expect to incur higher debt-servicing costs on new indebtedness than we would have incurred otherwise as a subsidiary of Blackstone and/or not have access to other less expensive sources of capital from short-term debt markets. As a stand-alone company, the availability and cost of our financing will depend on a variety of factors, such as financial market conditions generally, including the availability of credit to the financial services industry, our performance and credit ratings. Concurrently with the completion of the spin-off, we obtained a revolving credit facility for PJT Partners Holdings LP in an aggregate principal amount of up to $80 million. The revolving credit facility matures on October 2, 2017, subject to extension by agreement of the parties, and is based on market terms (including pricing). To date, we have not made any borrowings under the revolving credit facility. Our ability to make payments on and to refinance our indebtedness, including borrowings under our revolving credit facility, as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are not able to repay or refinance our debt as it becomes due, we may be forced to sell assets or take other disadvantageous actions, including (1) reducing financing in the future for working capital, capital expenditures and general corporate purposes, or (2) dedicating an unsustainable level of our cash flow from operations to the payment of principal and interest on our indebtedness. In addition, our ability to withstand competitive pressures and to react to changes in our industry could be impaired. The lenders who hold such debt could also accelerate amounts due, which could potentially trigger a default or acceleration of any of our other debt. In addition, we may increase our debt or raise additional capital, subject to restrictions in our debt agreements. If our cash flow from operations is less than we anticipate, or if our cash requirements are more than we expect, we may require more financing. However, debt or equity financing may not be available to us on terms acceptable to us, if at all. If we incur additional debt or raise equity through the issuance of preferred stock, the terms of the debt or preferred stock issued may give the holders rights, preferences and privileges senior to those of holders of our common stock, particularly in the event of liquidation. The terms of the debt may also impose additional and more stringent restrictions on our operations than we currently have. If we raise funds through the issuance of additional equity, your percentage ownership in us would decline. If we are unable to raise additional capital when needed, it could affect our financial health, which could negatively affect your investment in us. Also, regardless of the terms of our debt or equity financing, the amount of our stock that we can issue may be limited because the issuance of our stock may cause certain transactions in the internal reorganization to be taxable to one or both of the Distributing Corporations under Section 355(e) of the Code, and under the Tax Matters Agreement, we could be required to indemnify Blackstone for that tax.

The spin-off may expose us to potential liabilities arising out of state and Federal fraudulent conveyance laws and legal distribution requirements.

The spin-off could be challenged under various state and Federal fraudulent conveyance laws. An unpaid creditor or an entity vested with the power of such creditor (such as a trustee or debtor-in-possession in a bankruptcy) could claim that Blackstone did not receive fair consideration or reasonably equivalent value in the spin-off, and that the spin-off left Blackstone insolvent or with unreasonably small capital or that Blackstone intended or believed it would incur debts beyond its ability to pay such debts as they mature. If a court were to agree with such a plaintiff, then such court could void the spin-off as a fraudulent transfer and could impose a number of different remedies, including without limitation, returning our assets or your shares in our company to Blackstone or providing Blackstone with a claim for money damages against us in an amount equal to the difference between the consideration received by Blackstone and the fair market value of our company at the time of the spin-off.

The measure of insolvency for purposes of the fraudulent conveyance laws may vary depending on which jurisdiction’s law is applied. Generally, however, an entity would be considered insolvent if the fair saleable value of its assets is less than the amount of its liabilities (including the probable amount of contingent liabilities), and such entity would be considered to have unreasonably small capital if it lacked adequate capital to conduct its business in the ordinary course and pay its liabilities as they become due. No assurance can be given as to what standard a court would apply to determine insolvency or that a court would determine that Blackstone was solvent at the time of or after giving effect to the spin-off, including the distribution of our common stock.

The distribution by Blackstone of the Class A common stock of PJT Partners Inc. in the spin-off could also be challenged under state corporate distribution statutes. Under the Delaware Revised Uniform Limited Partnership Act, a limited partnership may not make distributions to its partners to the extent that at the time of the distribution, after giving effect to the distribution, the fair value of the assets of the limited partnership (excluding the fair value of property that is subject to a liability for which the recourse of creditors is limited, except to the extent that the fair value of that property exceeds such liability) will exceed the total liabilities of such limited partnership (excluding liabilities to its partners on account of their partnership interests and liabilities for which the recourse of creditors is limited to specified property of such limited partnership). No assurance can be given that a court will not later determine that the distribution by Blackstone of Class A common stock of PJT Partners Inc. in the spin-off was unlawful.

Under the Separation Agreement, from and after the spin-off, we are responsible for the debts, liabilities and other obligations related to the business or businesses which we own and operate following the consummation of the spin-off. Although we do not expect to be liable for any obligations not expressly assumed by us pursuant to the Separation Agreement, it is possible that we could be required to assume responsibility for certain obligations retained by Blackstone should Blackstone fail to pay or perform its retained obligations.

As an independent company we no longer have certain benefits and synergies that we enjoyed when we were part of Blackstone.

As part of Blackstone prior to the spin-off on October 1, 2015, we were able to take advantage of its size and purchasing power in procuring certain goods and services such as insurance and health care benefits, and technology such as computer software licenses. We also previously relied on Blackstone to provide various corporate functions. After the spin-off, as a separate, independent entity, we may be unable to obtain these goods, services and technologies at prices or on terms as favorable to us as those we obtained prior to the distribution. We may also incur costs for functions previously performed by Blackstone that are higher than the amounts reflected in our historical financial statements, which could cause our profitability to decrease.

In addition, we believe our business historically benefited from certain synergies that resulted from being part of Blackstone, including referrals of assignments from Blackstone's investment professionals, as well as the ability to leverage Blackstone's extensive global network of professionals and senior management contacts and relationships in sourcing potential mandates and advisory engagements. We also benefitted from our unique relationship with Blackstone's investment businesses, including from competitive advantages in winning advisory mandates on transactions sponsored by Blackstone's private equity and real estate funds. As an independent company, we will not benefit from these synergies to the same degree that we did when we were part of Blackstone, and expect that referrals from Blackstone's investment professionals will be more limited.

Risks Relating to Our Organizational Structure

PJT Partners Inc.'s only material asset is its interest in PJT Partners Holdings LP, and it is accordingly dependent upon distributions from PJT Partners Holdings LP to pay taxes, make payments under the tax receivable agreement or pay dividends.

PJT Partners Inc. is a holding company and has no material assets other than its ownership of Partnership Units, and certain cash and cash equivalents it may hold from time to time as described in "Part II. Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities—Dividend Policy." PJT Partners Inc. has no independent means of generating revenue. PJT Partners Holdings LP makes distributions to holders of its Partnership Units in an amount sufficient to cover all applicable taxes at assumed tax rates, payments under the tax receivable agreement and dividends, if any, declared by it. Deterioration in the financial condition, earnings or cash flow of PJT Partners Holdings LP and its subsidiaries for any reason could limit or impair their ability to pay such distributions. Additionally, to the extent that PJT Partners Inc. needs funds, and PJT Partners Holdings LP is restricted from making such distributions under applicable law or regulation or under the terms of our financing arrangements, or is otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition.

Payments of dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our financial condition, earnings, cash flows, capital requirements, cash settlement of Partnership Unit exchanges, previous and anticipated amounts of dividend payments and share repurchases, level of indebtedness, statutory and contractual restrictions applicable to the payment of dividends, general economic, market and industry conditions, and other considerations that our board of directors deem relevant from time to time. The credit agreement governing our revolving credit facility contains, and any financing arrangement that we enter into in the future may include, restrictive covenants that limit our ability to pay dividends. 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.

A significant portion of the voting power in PJT Partners Inc. is controlled by holders of our Class B common stock, whose interests may differ from those of our public stockholders that hold Class A common stock.

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 initially entitle holders to only one vote per share, representing significantly less than one percent of the voting power entitled to vote thereon. 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. At December 31, 2015, our executive officers and directors held and/or controlled (including by way of the proxy granted to Mr. Taubman by certain executive officers of Blackstone) 2.5% of the voting power of PJT Partners Inc. with regard to the election and removal of directors, and 35.8% of the combined voting power of PJT Partners Inc. with regard to all other matters presented to stockholders of PJT Partners Inc. At December 31, 2015, our Class B common stockholders held significantly less than one percent of the voting power of PJT Partners Inc. with regard to the election and removal of directors, and 55.5% of the combined voting power of PJT Partners Inc., with regard to all other matters presented to stockholders of PJT Partners Inc. As a result, our Class B common stockholders, including Mr. Taubman, have the ability to exercise influence over the outcome of all matters requiring stockholder approval, other than director elections and removals, including those related to equity compensation plans, certain related party transactions, and certain significant issuances of Class A common stock and other significant transactions, such as those involving a change of control or sale of all or substantially all of our assets. This concentration of ownership could deprive our Class A stockholders of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock. Moreover, our Class B common stockholders, including Mr. Taubman, may gain the ability in the future to exercise significant influence over the outcome of director elections and removals, as well.

Additionally, as of December 31, 2015, our Class B common stockholders own 47.1% of the Partnership Units. Because they hold all or a portion of their economic ownership interest in our business directly in PJT Partners Holdings LP, rather than through PJT Partners Inc., our Class B common stockholders may have conflicting interests with holders of shares of our Class A common stock. For example, if PJT Partners Holdings LP makes distributions to PJT Partners Inc., the limited partners of PJT Partners Holdings LP will also be entitled to receive such distributions pro rata in accordance with the percentages of their respective partnership interests in PJT Partners Holdings LP and their preferences as to the timing and amount of any such distributions may differ from those of our public stockholders. Our Class B common stockholders may also have different tax positions from us which could influence their decisions regarding whether and when to dispose of assets, especially in light of the existence of the tax receivable agreement that we entered into in connection with the spin-off, whether and when to incur new indebtedness, and whether and when PJT Partners Inc. should terminate the tax receivable agreement and accelerate its obligations thereunder. In addition, the structuring of future transactions may take into consideration these Partnership Unitholders' tax or other considerations even where no similar benefit would accrue to us.

PJT Partners Inc. will be required to make payments under a tax receivable agreement for most of the benefits relating to certain tax depreciation or amortization deductions that we may claim as a result of certain increases in tax basis.

Holders of Partnership Units (other than PJT Partners Inc.) have the right, 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), to exchange all or part of their Partnership Units for cash or, at our election, for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications. 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 increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of tax that PJT Partners Inc. would otherwise be required to pay in the future, although the IRS may challenge all or part of that tax basis increase, and a court could sustain such a challenge.

We entered into a tax receivable agreement with the holders of Partnership Units (other than PJT Partners Inc.) 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 these increases in tax basis 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. 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.

In certain cases, payments under the tax receivable agreement may be accelerated and/or significantly exceed the actual benefits PJT Partners Inc. realizes in respect of the tax attributes subject to the tax receivable agreement.

The tax receivable agreement provides that upon certain changes of control, or if, at any time, PJT Partners Inc. elects an early termination of the tax receivable agreement, PJT Partners Inc.'s obligations under the tax receivable agreement (with respect to all Partnership Units whether or not previously exchanged) would be calculated by reference to the value of all future payments that holders of Partnership Units would have been entitled to receive under the tax receivable agreement using certain valuation assumptions, including that PJT Partners Inc. will have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits related to entering into the tax receivable agreement and, in the case of an early termination election, that any Partnership Units that have not been exchanged are deemed exchanged for the market value of the shares of Class A common stock at the time of termination. In addition, holders of Partnership Units will not reimburse us for any payments previously made under the tax receivable agreement if such tax basis increase is successfully challenged by the IRS. PJT Partners Inc.'s ability to achieve benefits from any tax basis increase, and the payments to be made under the tax receivable agreement, will depend upon a number of factors, including the timing and amount of our future income. As a result, even in the absence of a change of control or an election to terminate the tax receivable agreement, payments under the tax receivable agreement could be in excess of PJT Partners Inc.'s actual cash tax savings.

There may be a material negative effect on our liquidity if the payments under the tax receivable agreement exceed the actual cash tax savings that PJT Partners Inc. realizes in respect of the tax attributes subject to the tax receivable agreement and/or if distributions to PJT Partners Inc. by PJT Partners Holdings LP are not sufficient to permit PJT Partners Inc. to make payments under the tax receivable agreement after it has paid taxes and other expenses. Based on the market value of a share of Class A common stock of $28.29 and the London Interbank Offered Rate ("LIBOR") of 1.16% at December 29, 2015, we estimate that if PJT Partners Inc. exercised its termination on December 31, 2015, the aggregate amount of these termination payments would be $104.7 million. The foregoing number is merely an estimate and the actual payments could differ materially. We may need to incur additional indebtedness to finance payments under the tax receivable agreement to the extent our cash resources are insufficient to meet our obligations under the tax receivable agreement as a result of timing discrepancies or otherwise.

Anti-takeover provisions in our organizational documents and Delaware law and our Stockholder Rights Plan might discourage or delay acquisition attempts for us that you might consider favorable.

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the merger or acquisition of our company more difficult without the approval of our Board of Directors. Among other things, these provisions:

- authorize the issuance of undesignated preferred stock, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend, or other rights or preferences superior to the rights of the holders of Class A common stock;
- provide that our Board of Directors will be divided into three classes, with terms of the directors of only one class expiring in any given year;
- prohibit Class A common stockholders from acting by written consent unless such action is recommended by all directors then in office, but permit Class B common stockholders to act by written consent without requiring any such recommendation;
- provide that our Board of Directors is expressly authorized to make, alter, or repeal our bylaws and that our stockholders may only amend our bylaws with the approval of 80% or more of the voting power of all of the outstanding shares of our capital stock entitled to vote;
- provide that certain provisions of our amended and restated certificate of incorporation, including those providing for a classified board of directors, may be amended, altered, repealed or rescinded, in whole or in part, or any provision inconsistent therewith may be adopted, only with the approval of 80% or more of the voting power of all of the outstanding shares of our capital stock entitled to vote;

- establish advance notice procedures and minimum stock ownership requirements for stockholder nominations for elections to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings, as well as provide for director qualification requirements; and
- provide that our chief executive officer at the time of their adoption, to the extent such individual serves as chief executive officer and as a director, will (1) serve as chairman of our Board of Directors, (2) be assigned to Class I, (3) be nominated as a Class I director at the annual meeting of stockholders at which his initial term expires, and (4) serve as the chairman of the nominating and governance committee of the board for so long as such service is permitted under the applicable rules of the New York Stock Exchange and shall select the other members of the nominating and governance committee of the board. At such time as the chief executive officer and chairman of the board is not serving as the chairman of the nominating and governance committee, the chief executive officer and chairman of the board shall select the chairman and other members of the nominating and governance committee of the board, subject to the applicable rules of New York Stock Exchange.

In addition, immediately prior to the spin-off, Blackstone caused our prior Board of Directors to adopt a stockholder rights agreement, under which holders of our Class A common stock have been granted rights to purchase from us additional shares of our Class A common stock in the event that a person or group acquires beneficial ownership of 15% or more of the then-outstanding Class A common stock without approval of our board of directors, subject to exceptions for, among other things, persons beneficially owning 15% or more of our Class A common stock as of the date of the initial filing with the SEC of our spin-off Registration Statement on Form 10 (or that would beneficially own 15% or more of our Class A common stock by virtue of the spin-off if the spin-off were consummated as of the date of such initial filing). The rights will expire on the earliest to occur of (1) October 1, 2018, (2) the time at which the rights are redeemed pursuant to the stockholder rights agreement, and (3) the time at which the rights are exchanged pursuant to the stockholder rights agreement.

The stockholder rights agreement could make it more difficult for a third party to acquire our Class A common stock without the approval of our Board of Directors. Acquisitions of shares of our Class A common stock as a result of acquiring additional Blackstone common units prior to the spin-off or shares representing our Class A common stock in the when-issued trading market or as a result of the spin-off will each be included in determining the beneficial ownership of a person and all such acquisitions will be taken into account in determining whether a person is an acquiring person under the terms of the stockholder rights agreement. Therefore, a person could become an acquiring person under the terms of the stockholder rights agreement simultaneously with the acquisition of our Class A common stock in the spin-off. Even if a person is initially an exempt person under the terms of the stockholder rights agreement, such person could lose such status as a result of pre-spin-off acquisitions. In addition, each Partnership Unit will have attached to it a preferred unit purchase right.

Certain provisions of the limited partnership agreement of PJT Partners Holdings LP may also prevent, delay or make more difficult, a transaction or a change in control that might involve a premium price for holders of our Class A common stock or otherwise be in their best interests. These provisions include, among others:

- rights of limited partners of PJT Partners Holdings LP, subject to certain exceptions and qualifications, to approve certain change of control transactions involving us; and
- following the occurrence of a “Board Change of Control,” rights of limited partners of PJT Partners Holdings LP to consent to certain corporate actions and transactions.

Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our Class A common stock. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing and to cause us to take other corporate actions you desire.

See “Certain Relationships and Related Party Transactions—PJT Partners Holdings LP Limited Partnership Agreement” in the Information Statement filed as Exhibit 99.1 to our Registration Statement on Form 10 filed with the SEC on

September 3, 2015 (the “Form 10 Information Statement”).

Risks Relating to Our Class A Common Stock

The market price of our Class A common stock may decline due to the large number of shares of Class A common stock eligible for exchange and future sale.

The market price of shares of our Class A common stock could decline as a result of sales of a large number of shares of Class A common stock in the market or the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell shares of Class A common stock in the future at a time and at a price that we deem appropriate.

In addition, we and the holders of Partnership Units (other than PJT Partners Inc.) entered into an exchange agreement under which they (or certain permitted transferees thereof) have the right, 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), to exchange all or part of their Partnership Units for cash, or, at our election, for shares of our Class A common stock on a one-for-one basis, subject to customary conversion rate adjustments for splits, unit distributions and reclassifications.

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. The market price of shares of our Class A common stock could decline as a result of sales of our Class A common stock to fund cash-settled exchanges of Partnership Units, or sales by exchanging holders of Partnership Units of Class A common stock received in stock-settled exchanges, or, in each case, the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for holders of our Class A common stock to sell such stock in the future at a time and at a price that they deem appropriate. See "Certain Relationships and Related Party Transactions—Exchange Agreement" in our Form 10 Information Statement.

The market price of our Class A common stock may be volatile, which could cause the value of our Class A common stock to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of our Class A common stock in spite of our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors, and in response, the market price of our Class A common stock could decrease significantly.

If securities analysts do not publish research or reports about our business or if they downgrade our Company or our sector, the price of our common stock could decline.

The trading market for our Class A common stock depends in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrades our Company or our industry, or the stock of any of our competitors, the price of our Class A common stock could decline. If one or more of these analysts ceases coverage of our Company, we could lose visibility in the market, which in turn could cause the price of our Class A common stock to decline.

You may be diluted by the future issuance of additional Class A common stock by PJT Partners Inc. and the future issuance of additional partnership units by PJT Partners Holdings LP, in each case in connection with our incentive plans, acquisitions or otherwise.

As of December 31, 2015, we have 2,982,033,544 shares of Class A common stock authorized but unissued, including 16,005,122 shares of Class A common stock that may be issued upon exchange of Partnership Units that are held by the limited partners of PJT Partners Holdings LP. Our amended and restated certificate of incorporation authorizes us to issue these shares of Class A common stock and options, rights, warrants and appreciation rights relating to Class A common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. Similarly, the limited partnership agreement of PJT Partners Holdings LP permits PJT Partners Holdings LP to issue an unlimited number of additional partnership interests of PJT Partners Holdings LP with designations, preferences, rights, powers and duties that are different from, and may be senior to, those applicable to the Partnership Units, and which may be exchangeable for shares of our Class A common stock. We have reserved 7,000,000 shares for issuance of new awards under our 2015 Omnibus Incentive Plan. Pursuant to the terms of the Employee Matters Agreement, generally fifty percent of the unvested Blackstone equity awards (other than awards scheduled to vest within 180 days following the spin-off) held by PJT Partners personnel who remained employed with us through the spin-off were converted into equity awards of PJT Partners based on an average trading price of Blackstone of $38.87, which was determined in advance of the spin-off, and an assumed $1.5 billion valuation for PJT Partners. The replacement PJT Partners equity awards are subject to a potential "true-up" feature payable by Blackstone based on the actual share performance of Blackstone and PJT Partners following the spin-off. See "Certain Relationships and Related Party Transactions—Agreements with Blackstone Related to the Spin-Off—Employee Matters Agreement" in the Form 10 Information Statement. The true-up awards are payable by Blackstone in cash, Blackstone equity or additional PJT Partners equity awards, at Blackstone's discretion. In addition, as described under "Certain Relationships and Related Party Transactions—Transaction Agreement—Founder Earn-Out Units" in our Form 10 Information Statement, Mr. Taubman and the other partners and employees of the Company received Earn-Out Units in PJT Partners Holdings LP that are subject to both time-based and market condition-based vesting. Any Class A common stock that we issue, including under our 2015 Omnibus Incentive Plan or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by the common unitholders of Blackstone who received Class A common stock of PJT Partners Inc. in the distribution.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive offices are located in leased office space at 280 Park Avenue, New York, New York 10017. We currently lease the space for our offices in Boston, Chicago, Hong Kong, London, Madrid, San Francisco and Sydney. We do not own any real property.

ITEM 3. LEGAL PROCEEDINGS

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

On June 16, 2009, Plaintiffs Frank Foy and Suzanne Foy, purportedly as qui tam plaintiffs on behalf of the State of New Mexico, filed a case in New Mexico state court against Park Hill Group and one of its officers, as well as The Blackstone Group L.P. (together, "Park Hill Defendants"), in addition to dozens of other named and unnamed defendants, alleging violations of New Mexico's Fraud Against Taxpayers Act ("FATA") in an action styled Foy v. Austin Capital Management, Ltd., et al., Case No. D-101-CV-2009-01189 (N.M. Dist. Ct.). The complaint alleges, among other things, that the New Mexico Educational Retirement Board and the New Mexico State Investment Council made investments that were influenced by kickbacks and other inducements. In the complaint, the Park Hill Defendants are grouped together with other defendants who are all alleged generically to have conspired to defraud the State of New Mexico. In May 2011, the trial court ruled that, as defendants had argued, FATA cannot constitutionally be applied retroactively. Plaintiffs appealed and, in December 2012, the intermediate appellate court affirmed the trial court's determination that FATA cannot constitutionally be applied retroactively. Plaintiffs appealed. On June 25, 2015, the New Mexico Supreme Court reversed the intermediate appellate court and held that a provision of FATA imposing treble damages could be applied retroactively. The New Mexico Supreme Court reserved judgment on whether FATA's provision imposing a civil penalty could be applied retroactively. The New Mexico Supreme Court also ordered this case to be consolidated with another case by the same plaintiffs, to which the Park Hill Defendants had not been parties. The proceedings in the trial court had been stayed pending resolution of Plaintiffs' appeal and have now resumed following the New Mexico Supreme Court's appointment of a pro-tem judge to oversee the consolidated action. On October 22, 2015, Plaintiffs filed a motion seeking leave to file a proposed amended consolidated complaint. The proposed amended complaint does not substantively change the allegations as to the Park Hill Defendants. On November 30, 2015, the New Mexico Attorney General filed a motion on behalf of the State of New Mexico seeking wholesale dismissal of these proceedings. The Court has stayed Plaintiffs' motion to amend pending resolution of the New Mexico Attorney General's motion to dismiss. Also, in 2009, the Park Hill Defendants filed a motion to dismiss the claims against them. That motion has not been ruled upon.

We believe that the foregoing action is totally without merit and we will continue to defend it vigorously.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II.

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock is traded on the NYSE under the symbol “PJT.” There is no publicly traded market for our Class B common stock, which is held by the limited partners of PJT Partners Holdings LP.

As of February 22, 2016, there were 338 holders of record of our Class A common stock. This does not include the number of holders that hold Class A common stock in “street name” through banks or broker-dealers.

The following table sets forth, for the fiscal quarter indicated, the high and low sales prices per share of our Class A common stock, as reported by the NYSE and the dividends paid per share of Class A common stock since October 1, 2015, the date that our common stock began “regular-way” trading on the NYSE. Prior to October 1, 2015, there was no public market for our Class A common stock. Our Class A common stock traded on a “when-issued” basis prior to October 1, 2015.

	Year Ended December 31, 2015		
	High	Low	Dividends Per Share
Fourth Quarter	$29.08	$20.00	$ —

Dividend Policy

The Company declared a dividend of $0.05 per share of Class A common stock in the first 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.

Stock Performance

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

The stock performance graph below compares the performance of an investment in our Class A common stock from October 1, 2015 (the first day our common stock began "regular-way" trading on the NYSE) through December 31, 2015, with that of the S&P 500 Index and the S&P Financials Index. Prior to October 1, 2015, there was no public market for our Class A common stock. Our Class A common stock traded on a "when-issued" basis prior to October 1, 2015. The graph assumes $100 was invested in our Class A common stock on October 1, 2015, and in the S&P 500 Index and the S&P Financials Index on September 30, 2015. It also assumes that the dividends were reinvested on the date of payment without payment of commissions. The performance shown in the graph represents past performance and should not be considered an indication of future performance.

Share Repurchases in the Fourth Quarter of 2015

The Company made no purchases of its Class A common stock during the fourth quarter of 2015.

ITEM 6. SELECTED FINANCIAL DATA

On October 1, 2015, the Company completed the reorganization of its business and the separation from Blackstone. For periods presented prior to October 1, 2015, the financial statements were prepared on a stand-alone basis and were derived from the consolidated financial statements and accounting records of Blackstone. The results of operations for the year ended December 31, 2015 reflect the combined results of Blackstone's operations for the period from January 1, 2015 to October 1, 2015 and the consolidated results of PJT Partners Inc., as reorganized and separated from Blackstone, through December 31, 2015.

The statement of operations data for each of the years ended December 31, 2015, 2014 and 2013 and the statement of financial condition data as of December 31, 2015 and 2014 set forth below are derived from the Company's audited consolidated and combined financial statements included elsewhere in this Form 10-K. The statement of operations data for the year ended December 31, 2012 and the statement of financial condition data as of December 31, 2013 are derived from the Company's audited financial statements that are not included elsewhere in this Form 10-K. The statement of operations data for the year ended December 31, 2011 and the statement of financial condition data as of December 31, 2012 and 2011 are derived from the Company's unaudited financial statements that are not included elsewhere in this Form 10-K. The Company's financial data are not indicative of our future performance and do not necessarily reflect what our financial condition and results of operations would have been had we been operating as an independent, publicly traded company during the periods presented, including changes that occurred in our operations and capitalization as a result of the spin-off from Blackstone.

The selected consolidated and combined financial data should be read in conjunction with "—Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated and combined financial statements and related notes thereto included in this Form 10-K:

	Year Ended December 31,				
	2015	2014	2013	2012	2011
Statement of Operations Data					
Revenues					
Advisory Fees	$286,014	$271,278	$256,433	$244,439	$245,097
Placement Fees	114,058	127,664	136,726	106,764	138,230
Interest Income and Other	5,866	2,127	3,795	3,414	3,338
Total Revenues	405,938	401,069	396,954	354,617	386,665
Expenses					
Compensation and Benefits	315,195	317,478	339,778	318,255	349,424
Non-Compensation Expenses	96,679	76,053	70,976	75,553	76,374
Total Expenses	411,874	393,531	410,754	393,808	425,798
Income (Loss) Before Provision for Taxes	(5,936)	7,538	(13,800)	(39,191)	(39,133)
Provision for Taxes	239	3,046	3,373	3,357	3,699
Net Income (Loss)	(6,175)	$4,492	$(17,173)	$(42,548)	$(42,832)
Net Loss Attributable to Redeemable Non-Controlling Interests	(13,751)				
Net Income Attributable to PJT Partners Inc.	$7,576				

	October 1, 2015 through December 31, 2015
Net Loss	$(24,935)

Net Loss Attributable to Redeemable Non-Controlling Interests	(13,751)
Net Loss Attributable to PJT Partners Inc.	$(11,184)
Net Loss Per Share of Class A Common Stock — Basic and Diluted	$(0.61)
Weighted-Average Shares of Class A Common Stock Outstanding — Basic and Diluted	18,258,174

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	December 31, 2015	2014	2013	2012	2011
Statement of Financial Condition Data					
Total Assets (a)	$467,252	$347,951	$319,662	$313,873	$333,571
Total Liabilities (b)	$125,317	$15,631	$18,334	$28,285	$30,254
Redeemable Non-Controlling Interests (c)	$452,785	$—	$—	$—	$—
Total Equity (c)	$(110,850)	$332,320	$301,328	$285,588	$303,317

(a) Total Assets increased at December 31, 2015 primarily related to the additional deferred tax asset recorded on October 1, 2015 related to the spin-off of Blackstone and the identifiable intangible assets recorded as part of the acquisition of PJT Capital LP.

(b) Total Liabilities increased at December 31, 2015 primarily related to an increase in Accrued Compensation and Benefits. For periods prior to October 1, 2015, intercompany amounts due to Blackstone (including settlements of accruals for forecast year-end incentive compensation) were typically settled monthly.

(c) These amounts reflect the allocation of Net Income (Loss) and Additional Paid-In Capital between PJT Partners Inc. and the Redeemable Non-Controlling Interests. The Redeemable Non-Controlling Interest is measured at its then current redemption value at each reporting date.

ITEM 7. 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 Inc.'s Consolidated and Combined Financial Statements and the related notes included in this Annual Report on Form 10 K.

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 Annual Report on Form 10-K 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 fund placement and secondary advisory 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. We also provide, through Park Hill Group, fund placement and secondary advisory 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 fund placement and secondary advisory line of business, is a world-leading fund placement agent and has provided fund placement and secondary advisory 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 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 Consolidated and Combined Financial Statements" in "Item 8. Financial Statements and Supplementary Data" 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 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 Item 8. "Financial Statements and Supplementary Data" of this filing for further information.

Business Environment

M&A is a cyclical business which is impacted by macroeconomic conditions. According to Thomson Reuters, worldwide M&A volume for the year ended December 31, 2015 was up 42% compared to the year ended December 31, 2014 and the strongest annual period for worldwide deal making since records began.[1] The uncertainty and volatility in the global markets in early 2016 has the potential to moderate those volumes. 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.

[1] Source: Thomson Reuters. Aggregate mergers and acquisitions values extracted from the official Thomson Reuters Mergers & Acquisitions Review for Full-Year 2015, based on figures extracted from Thomson Reuters databases as of December 31, 2015.

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 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 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 earned based on net asset value ("NAV") and calculated as a percentage of a placed investor's month-end 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 funds 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 Consolidated and Combined Statements of Operations. Advisory Fees from such assignments were 1.5% and 11.8% of our Advisory Fees for the years ended December 31, 2015 and 2014, respectively. Placement Fees from such assignments were 12.6% and 11.7% of our Placement Fees for the years ended December 31, 2015 and 2014, respectively.

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 and Receivable from Affiliates in the 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 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 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 Consolidated and Combined Statements of Financial Condition. 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 is considered a redeemable non-controlling interest. Redeemable Non-Controlling Interests have been presented separately from Equity in the 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

We believe Adjusted Net Income 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 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 IPO and the acquisition of PJT Capital LP. Additionally, for periods after October 1, 2015, the transactional equity-based compensation adjustment includes Partnership Units with both time- and performance-based vesting conditions and retention awards granted in connection with the spin-off. Adjusted Net Income 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, please see "—Consolidated and Combined Results of Operations—Adjusted Net Income" below.

In the interest of limiting the adjustments to GAAP results reflected in Adjusted Net Income to only the most significant items, the Company amended its definition of Adjusted Net Income in the third quarter of 2015 to no longer exclude transaction-related expenses associated with the spin-off. Adjusted Net Income 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 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 "—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 "—Consolidated and Combined Results of Operations—Adjusted Non-Compensation Expense" below.

Consolidated and Combined Results of Operations

The following table sets forth our consolidated and combined results of operations for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,			2015 vs. 2014		2014 vs. 2013	
	2015	2014	2013	$	%	$	%
	(Dollars in Thousands)						
Revenues							
Advisory Fees	$286,014	$271,278	$256,433	$14,736	5 %	$14,845	6 %
Placement Fees	114,058	127,664	136,726	(13,606)	-11 %	(9,062)	-7 %
Interest Income and Other	5,866	2,127	3,795	3,739	176 %	(1,668)	-44 %
Total Revenues	405,938	401,069	396,954	4,869	1 %	4,115	1 %
Expenses							
Compensation and Benefits	315,195	317,478	339,778	(2,283)	-1 %	(22,300)	-7 %
Occupancy and Related	32,682	25,601	21,715	7,081	28 %	3,886	18 %
Travel and Related	14,082	13,382	13,678	700	5 %	(296)	-2 %
Professional Fees	19,814	10,837	12,344	8,977	83 %	(1,507)	-12 %
Communications and Information Services	7,622	7,048	6,772	574	8 %	276	4 %
Depreciation and Amortization	14,872	7,773	8,775	7,099	91 %	(1,002)	-11 %
Other Expenses	7,607	11,412	7,692	(3,805)	-33 %	3,720	48 %
Total Expenses	411,874	393,531	410,754	18,343	5 %	(17,223)	-4 %
Income (Loss) Before Provision for Taxes	(5,936)	7,538	(13,800)	(13,474)	N/M	21,338	N/M
Provision for Taxes	239	3,046	3,373	(2,807)	-92 %	(327)	-10 %
Net Income (Loss)	(6,175)	$4,492	$(17,173)	$(10,667)	N/M	$21,665	N/M
Net Loss Attributable to Redeemable Non-Controlling Interests	(13,751)						
Net Income Attributable to PJT Partners Inc.	$7,576						

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 PJT Partners' 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 PJT Partners' brand in the marketplace and costs to build out our corporate infrastructure. The results of operations for the year ended December 31, 2015 reflect these additional costs.

Year Ended December 31, 2015 versus Year Ended December 31, 2014

Revenues

Total Revenues were $405.9 million for the year ended December 31, 2015, an increase of $4.9 million compared to $401.1 million for the year ended December 31, 2014. The increase in Total Revenues was primarily attributable to an increase of $14.7 million in Advisory Fees, partially offset by a decrease of $13.6 million in Placement Fees. The increase in Advisory Fees was primarily driven by significant fee realizations on a number of M&A transactions that closed during the year. The decrease in Placement Fees was primarily due to a decrease in corporate private placement fees, partially offset by an increase in fund placement fees.

The following table provides revenue statistics for the years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31,		
	2015	2014	2013
Advisory Fees			
Number of Clients	134	142	147
Number of Fee-Paying Clients with $1 Million or More	63	68	70
Number of Fee-Paying Clients Representing Greater than 10% of Advisory Fees	1	—	1
Percentage of Such Clients' Fees of Total Advisory Fees	13.9%	—	12.3%
Placement Fees			
Number of Clients	76	75	66
Number of Fee-Paying Clients with $1 Million or More	35	35	30
Number of Fee-Paying Clients Representing Greater than 10% of Placement Fees	—	—	—
Percentage of Such Clients' Fees of Total Placement Fees	—	—	—

Expenses

Expenses were $411.9 million for the year ended December 31, 2015, an increase of $18.3 million compared to $393.5 million for the year ended December 31, 2014. The increase in expenses was primarily attributable to increases in Professional Fees, Depreciation and Amortization and Occupancy and Related Expenses of $9.0 million, $7.1 million and $7.1 million, respectively, and partially offset by decreases of $3.8 million and $2.3 million in Other Expenses and Compensation and Benefits, respectively. The increase in Professional Fees was primarily related to an increase in legal and other professional services expense incurred in connection with the spin-off. The increase in Depreciation and Amortization was related to the impairment of intangible assets, as further described in Note 6.

“Goodwill and Intangible Assets” and additional intangible assets associated with the acquisition of PJT Capital LP, as further described in Note 4. “Business Combinations” in the “Notes to Consolidated and Combined Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” of this filing. The increase in Occupancy and Related was primarily due to increased rent expense associated with the continuation of rent expense in our previous office locations during the period of transition into new office locations in New York, London and Hong Kong. The decrease in Other Expenses was primarily due to reversal of bad debt expense in 2015. The decrease in Compensation and Benefits was primarily from a change in terms of deferred compensation plan awards and a decrease in transaction-based equity amortization, and partially offset by an increase due to the Company’s decision to pay in cash the portion of partner discretionary compensation that would have otherwise been paid in deferred equity.

Provision for Taxes

The Company's Provision for Taxes for the year ended December 31, 2015 and 2014 was $0.2 million and $3.0 million, respectively. This resulted in an effective tax rate of -4.0% and 40.4%, respectively, based on our Loss Before Provision for Taxes of $5.9 million for the year ended December 31, 2015 and Income Before Provision for Taxes of $7.5 million for the year ended December 31, 2014. The effective tax rate decreased in the year ended December 31, 2015 compared to the year ended December 31, 2014 primarily due to the Company's new entity structure on October 1, 2015 as a publicly traded corporation and the tax benefit recorded with respect to the operating loss incurred during the three months ended December 31, 2015.

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.

Year Ended December 31, 2014 versus Year Ended December 31, 2013

Revenues

Total Revenues were $401.1 million for the year ended December 31, 2014, an increase of $4.1 million compared to $397.0 million for the year ended December 31, 2013. The increase in Total Revenues in 2014 was driven by an increase of Advisory Fees of $14.8 million, partially offset by a decrease in Placement Fees of $9.1 million. The increase in Advisory Fees was due to an increase in the size of transactions that closed during the year. The decrease in Placement Fees was primarily due to a decrease in the size of transactions that closed during the year.

Expenses

Expenses were $393.5 million for the year ended December 31, 2014, a decrease of $17.2 million compared to $410.8 million for the year ended December 31, 2013. The decrease in expenses was primarily attributable to decreases of $22.3 million in Compensation and Benefits and $1.5 million in Professional Fees, partially offset by an increase of $3.9 million in Occupancy and Related expenses. The overall decrease in Compensation and Benefits was primarily due to changes associated with the deferred compensation plan. Professional Fees decreased primarily as a result of reduced consulting and recruiting fees. Occupancy and Related expenses increased primarily as result of additional rent in New York and London.

Provision for Taxes

The Company's Provision for Taxes for the year ended December 31, 2014 and 2013 was $3.0 million and $3.4 million, respectively. This resulted in an effective tax rate of 40.4% and -24.4%, respectively, based on our Income Before Provision for Taxes of $7.5 million for the year ended December 31, 2014 and Loss Before Provision for Taxes of $13.8 million for the year ended December 31, 2013. The effective tax rate increased in the year ended December 31, 2014 compared to the year ended December 31, 2013 due to the increase in pretax income.

Adjusted Net Income

The following table is a reconciliation of Net Income (Loss) to Adjusted Net Income for the respective periods:

	Year Ended December 31,			2015 vs. 2014		2014 vs. 2013	
	2015	2014	2013	$	%	$	%
	(Dollars in Thousands)						
Net Income (Loss)	$(6,175)	$4,492	$(17,173)	$(10,667)	N/M	$21,665	N/M
Provision for Taxes	239	3,046	3,373	(2,807)	-92 %	(327)	-10 %
Income (Loss) Before Provision for Taxes	(5,936)	7,538	(13,800)	(13,474)	N/M	21,338	N/M
Adjustments							
Compensation and Benefits (a)	36,924	91,294	81,981	(54,370)	-60 %	9,313	11 %
Depreciation and Amortization (b)	10,939	2,653	2,653	8,286	312 %	—	—
Adjusted Pretax Income	41,927	101,485	70,834	(59,558)	-59 %	30,651	43 %
Taxes (c)	3,819	3,814	3,584	5	0 %	230	6 %
Adjusted Net Income	$38,108	$97,671	$67,250	$(59,563)	-61 %	$30,421	45 %

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. 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- and performance-based vesting 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, amortization related to intangible assets identified in connection with the acquisition of PJT Capital LP on October 1, 2015 and the non-recurring non-cash charge associated with the impairment of certain intangible assets during the third quarter of 2015, as further described in Note 6. "Goodwill and Intangible Assets," in the "Notes to Consolidated and Combined Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" of this filing.

(c) Taxes represent the total GAAP tax provision adjusted to include only the current tax provision calculated on Income (Loss) Before Provision for 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 respective periods:

Year Ended December 31,	2014 vs. 2013

	2015	2014	2013	2015 vs. 2014 $	%	$	%
	(Dollars in Thousands)						
Compensation and Benefits Expense, GAAP	$315,195	$317,478	$339,778	$(2,283)	-1 %	$(22,300)	-7 %
Adjustment							
Transaction-Based Equity Compensation (a)	(36,924)	(91,294)	(81,981)	54,370	60%	(9,313)	-11%
Adjusted Compensation and Benefits Expense	$278,271	$226,184	$257,797	$52,087	23%	$(31,613)	-12%

(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.

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- and performance-based vesting 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 respective periods:

	Year Ended December 31,			2015 vs. 2014		2014 vs. 2013	
	2015	2014	2013	$	%	$	%
	(Dollars in Thousands)						
Non-Compensation Expenses:							
Occupancy and Related	$32,682	$25,601	$21,715	$7,081	28 %	$3,886	18 %
Travel and Related	14,082	13,382	13,678	700	5 %	(296)	-2 %
Professional Fees	19,814	10,837	12,344	8,977	83 %	(1,507)	-12 %
Communications and Information Services	7,622	7,048	6,772	574	8 %	276	4 %
Depreciation and Amortization	14,872	7,773	8,775	7,099	91 %	(1,002)	-11 %
Other Expenses	7,607	11,412	7,692	(3,805)	-33 %	3,720	48 %
Non-Compensation Expense, GAAP	96,679	76,053	70,976	20,626	27 %	5,077	7 %
Adjustment							
Transaction-Based Amortization (a)	(10,939)	(2,653)	(2,653)	(8,286)	-312 %	—	—
Adjusted Non-Compensation Expense	$85,740	$73,400	$68,323	$12,340	17 %	$5,077	7 %

(a) This adjustment adds back to Non-Compensation Expense amounts for the amortization of intangible assets which are associated with Blackstone's IPO, amortization related to intangible assets identified in connection with the acquisition of PJT Capital LP on October 1, 2015 and the non-recurring non-cash charge associated with the impairment of certain intangible assets during the third quarter of 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 related to fees earned from providing strategic advisory and placement services. Our liabilities primarily include accrued compensation and benefits, accounts payable and accrued expenses and taxes payable. 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 was 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 Consolidated and Combined Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” of this filing. As of 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 December 31, 2015 and December 31, 2014, we had cash and cash equivalents of $82.3 million and $38.5 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 December 31, 2015 and December 31, 2014, total accounts receivable including receivables from affiliates were $169.6 million and $175.1 million, respectively, net of allowance for doubtful accounts of $0.9 million and $3.8 million, respectively. As of December 31, 2015 and December 31, 2014, $62.6 million and $66.0 million, respectively, of receivables attributable to our fund placement and secondary advisory 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: (1) our credit ratings or absence of a credit rating, (2) the liquidity of the overall capital markets, and (3) 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

Consolidated and Combined Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" 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 fund placement and secondary advisory services businesses. 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 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 December 31, 2015 of $10.3 million, which exceeded the minimum net capital requirement by $9.3 million.

Park Hill Group LLC is also a registered broker-dealer through which fund placement and secondary advisory business is 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 December 31, 2015 and December 31, 2014 of $19.0 million and $34.6 million, respectively, which exceeded the minimum net capital requirement by $18.8 million and $34.3 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 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

The following table sets forth information relating to our contractual obligations as of December 31, 2015:

Contractual Obligations	2016	2017–2018	2019–2020	Thereafter	Total
	(Dollars in Thousands)				
Operating Leases (a)	$16,514	$ 40,883	$ 37,442	$ 125,818	$220,657
Capital Leases (including interest)	95	190	164	—	449
Purchase Obligations	3,154	2,942	344	—	6,440
Total	$19,763	$ 44,015	$ 37,950	$ 125,818	$227,546

(a) We lease our primary office space under agreements that expire through 2030. Further disclosure regarding rent is presented in Note 13. “Commitments and Contingencies—Commitments, Leases” in the “Notes to Consolidated and Combined Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” of this filing. In connection with these lease agreements, we are responsible for escalation payments. The contractual obligation table above includes only guaranteed minimum lease payments for such leases and does not project potential escalation or other lease-related payments. These leases are classified as operating leases for financial statement purposes and as such are not recorded as liabilities in the Consolidated and Combined Statements of Financial Condition. The amounts presented are net of contractual sublease commitments.

See Notes 8, 10, 13 and 14 in the “Notes to Consolidated and Combined Financial Statements” in “Part II. Item 8. Financial Statements and Supplementary Data” 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 that contain a variety of indemnifications including certain indemnification obligations to Blackstone in connection with the spin-off as described in "Part I. Item 1. Business—The Spin-off from Blackstone—Overview." 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.

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 consolidated and combined financial statements.

Critical Accounting Policies

We prepare our 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 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 Consolidated and Combined Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" 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 and Receivable from Affiliates in the 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 and Receivable from Affiliates in the 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.

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 accelerated.

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.

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 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.

Recent Accounting Developments

Information regarding recent accounting developments and their impact on PJT Partners can be found in Note 2. "Summary of Significant Accounting Policies" in the "Notes to Consolidated and Combined Financial Statements" in "Part II. Item 8. Financial Statements and Supplementary Data" 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 7A. 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 one major U.S. financial institution. 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 December 31, 2015 and December 31, 2014, our allowance for doubtful accounts was $0.9 million and $3.8 million, respectively, representing 0.5% and 2.1%, respectively, of the gross accounts receivable and receivable from affiliates at 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 years ended December 31, 2015 and 2014, the impact of the fluctuation of foreign currencies in Other Comprehensive Income (Loss), Net of Tax – Currency Translation Adjustment in the Consolidated and Combined Statements of Comprehensive Income (Loss) were gains of $0.6 million and $1.2 million, respectively, and in Interest Income and Other in the Consolidated and Combined Statements of Operations, losses of $0.2 million and $1.0 million, respectively. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of PJT Partners Inc.:

We have audited the accompanying consolidated and combined statements of financial condition of PJT Partners Inc. and subsidiaries (the “Company”) as of December 31, 2015 and 2014, and the related consolidated and combined statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2015. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated and combined financial statements present fairly, in all material respects, the financial position of PJT Partners Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

As discussed in Note 2 to the financial statements, the Company separated from The Blackstone Group L.P. (“Blackstone”) and acquired PJT Capital on October 1, 2015. The Company did not operate as an independent, stand-alone entity for all periods included in these consolidated and combined financial statements. For periods prior to October 1, 2015, the accompanying consolidated and combined financial statements were derived from the consolidated financial statements and accounting records of Blackstone.

/s/ Deloitte & Touche LLP

New York, New York

February 29, 2016

PJT Partners Inc.

Consolidated and Combined Statements of Financial Condition

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

	December 31, 2015	2014
Assets		
Cash and Cash Equivalents	$82,322	$38,533
Restricted Cash	827	—
Accounts Receivable (net of allowance for doubtful accounts of $862 and $3,758 at December 31, 2015 and December 31, 2014, respectively)	169,590	162,924
Receivable from Affiliates	—	12,162
Due from Blackstone	—	36,517
Intangible Assets, Net	23,646	19,797
Goodwill	75,769	68,873
Furniture, Equipment and Leasehold Improvements, Net	31,490	5,111
Other Assets	14,920	1,330
Deferred Tax Asset, Net	68,688	2,704
Total Assets	$467,252	$347,951
Liabilities and Equity		
Accrued Compensation and Benefits	$81,221	$9,178
Accounts Payable, Accrued Expenses and Other Liabilities	29,533	4,817
Deferred Rent Liability	12,414	—
Taxes Payable	1,672	62
Deferred Revenue	477	1,574
Total Liabilities	125,317	15,631
Commitments and Contingencies		
Redeemable Non-Controlling Interests	452,785	—
Equity		
Class A Common Stock, par value $0.01 per share (3,000,000,000 shares authorized; 17,966,456 issued and outstanding at December 31, 2015; none authorized, issued or outstanding at December 31, 2014)	180	—
Class B Common Stock, par value $0.01 per share (1,000,000 shares authorized; 300 issued and outstanding at December 31, 2015; none authorized, issued or outstanding at December 31, 2014)	—	—
Additional Paid-In Capital	—	—
Retained Deficit	(110,982)	—
Accumulated Other Comprehensive Income (Loss)	(48)	1,010

Former Parent Company Investment	—	331,310
Total Equity	(110,850)	332,320
Total Liabilities and Equity	$467,252	$347,951

See notes to consolidated and combined financial statements.

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PJT Partners Inc.

Consolidated and Combined Statements of Operations

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

	Year Ended December 31,		
	2015	2014	2013
Revenues			
Advisory Fees	$286,014	$271,278	$256,433
Placement Fees	114,058	127,664	136,726
Interest Income and Other	5,866	2,127	3,795
Total Revenues	405,938	401,069	396,954
Expenses			
Compensation and Benefits	315,195	317,478	339,778
Occupancy and Related	32,682	25,601	21,715
Travel and Related	14,082	13,382	13,678
Professional Fees	19,814	10,837	12,344
Communications and Information Services	7,622	7,048	6,772
Depreciation and Amortization	14,872	7,773	8,775
Other Expenses	7,607	11,412	7,692
Total Expenses	411,874	393,531	410,754
Income (Loss) Before Provision for Taxes	(5,936)	7,538	(13,800)
Provision for Taxes	239	3,046	3,373
Net Income (Loss)	(6,175)	$4,492	$(17,173)
Net Loss Attributable to Redeemable Non-Controlling Interests	(13,751)		
Net Income Attributable to PJT Partners Inc.	$7,576		
Revenues Earned from Affiliates			
Advisory Fees	$4,220	$31,948	$15,131
Placement Fees	$14,329	$14,911	$12,786

	October 1, 2015 through December 31, 2015
Net Loss	$(24,935)
Net Loss Attributable to Redeemable Non-Controlling Interests	(13,751)
Net Loss Attributable to PJT Partners Inc.	$(11,184)
Net Loss Per Share of Class A Common Stock — Basic and Diluted	$(0.61)
Weighted-Average Shares of Class A Common Stock	18,258,174

Outstanding — Basic and Diluted

See notes to consolidated and combined financial statements.

PJT Partners Inc.

Consolidated and Combined Statements of Comprehensive Income (Loss)

(Dollars in Thousands)

	Year Ended December 31,		
	2015	2014	2013
Net Income (Loss)	$(6,175)	$4,492	$(17,173)
Other Comprehensive Income (Loss), Net of Tax — Currency Translation Adjustment	622	1,243	(108)
Comprehensive Income (Loss)	(5,553)	$5,735	$(17,281)
Less			
Comprehensive Loss Attributable to Redeemable Non-Controlling Interests	(6)		
Comprehensive Loss Attributable to PJT Partners Inc.	$(5,547)		

See notes to consolidated and combined financial statements.

PJT Partners Inc.

Consolidated and Combined Statements of Changes in Equity

(Dollars in Thousands, Except Share Data)

	Shares Class A Common Stock	Shares Class B Common Stock	Class A Common Stock	Class B Common Stock	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Former Parent Company Investment	Total	Redeemable Non-Controlling Interests
Balance at December 31, 2012	—	—	$—	$—	$—	$—	$(125)	$285,713	$285,588	$—
Net Loss	—	—	—	—	—	—	—	(17,173)	(17,173)	—
Currency Translation Adjustment	—	—	—	—	—	—	(108)	—	(108)	—
Net Increase in Former Parent Company Investment	—	—	—	—	—	—	—	33,021	33,021	—
Balance at December 31, 2013	—	—	—	—	—	—	(233)	301,561	301,328	—
Net Income	—	—	—	—	—	—	—	4,492	4,492	—
Currency Translation Adjustment	—	—	—	—	—	—	1,243	—	1,243	—
Net Increase in Former Parent Company Investment	—	—	—	—	—	—	—	25,257	25,257	—
Balance at December 31, 2014	—	—	—	—	—	—	1,010	331,310	332,320	—
Net Income	—	—	—	—	—	—	—	18,760	18,760	—
Currency Translation Adjustment	—	—	—	—	—	—	635	—	635	—
Net Decrease in Former Parent Company Investment	—	—	—	—	—	—	—	(95,530)	(95,530)	—
Balance Before Spin-Off	—	—	—	—	—	—	1,645	254,540	256,185	—

Settlement of Due from Blackstone Balances	—	—	—	—	24,002	—	—	—	24,002	—
Establishment of Deferred Tax Asset Related to Reorganization	—	—	—	—	62,267	—	—	—	62,267	—
Tax Distributions	—	—	—	—	(4,663)	—	—	—	(4,663)	—
Forfeiture Liability for Equity Awards	—	—	—	—	(1,319)	—	—	—	(1,319)	—
Net Loss	—	—	—	—	—	(11,184)	—	—	(11,184)	(13,751)
Currency Translation Adjustment	—	—	—	—	—	—	(13)	—	(13)	—
Reorganization of Equity Structure	—	—	—	—	146,227	—	(1,680)	(254,540)	(109,993)	119,858
Issuance of Class A Common Stock	17,966,456	—	180	—	—	—	—	—	180	—
Issuance of Class B Common Stock	—	300	—	—	—	—	—	—	—	—
Equity-Based Compensation	—	—	—	—	20,371	—	—	—	20,371	